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VOL. 1

U.S. Department of Agriculture

1988 BUDGET EXPLANATORY NOTES FOR COMMITTEE ON APPROPRIATIONS

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Agricultural Research Service
Cooperative State Research Service
Extension Service
National Agricultural Library

Soil Conservation Service

Rural Electrification Administration
Federal Crop Insurance Corporation
Farmers Home Administration

1. The first part of the paper discusses the importance of maintaining accurate records of all transactions.

2. The second part of the paper discusses the importance of maintaining accurate records of all transactions.

3. The third part of the paper discusses the importance of maintaining accurate records of all transactions.

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PREFACE

Project Statements

The obligations shown in the Project Statements are based on the appropriations and activities proposed in the 1988 budget estimates. In some Project Statements the activities are further divided into subcategories, reflecting a more detailed description of the work conducted under the appropriation items.

In those accounts where prior year balances are also available for obligation during the year, such amounts are shown in a separate Project Statement.

The amounts shown in Project Statements for the past year are taken directly from the accounting records to the maximum extent possible. Where the Department has adjusted obligations after Treasury has closed the books for the year, we have shown our most current estimate. These adjustments will be picked up by Treasury in subsequent reports.

Statement of Available Funds and Staff-Years

A statement is included for each agency, immediately following the introductory purpose statement, to reflect all sources of funds available to the agency and to show the staff-years related to each source of funds.

These statements reflect the best available information at the time these Explanatory Notes were prepared (January 1987). However, it is not possible in many instances to determine in advance the extent to which agencies may be requested to perform additional services for other Federal and non-Federal agencies or organizations. Therefore, amounts of actual reimbursements and other funds received from sources other than appropriations directly to the agency may vary from those shown in the statements.

In those cases where the funds are not appropriated (reimbursements, trust funds, transfers, revolving funds, etc.), the dollar amounts shown represent actual or estimated obligations for the year.

In some instances there may be duplication of amounts shown. This results largely from cases involving reimbursements between different agencies within the Department and where amounts are paid from appropriations to the Working Capital Fund. There is no duplication of the staff-years shown.

Classification by Objects

A statement is included for each agency showing total obligations by Object Classification for the agency. Obligations for personnel compensation are also broken between headquarters and field.

Loan Levels

Knowledge of the following basic budget terminology will assist the reader in understanding the budget proposals.

"Direct" and "Insured" loans involve the Federal government disbursing the money to the borrower and receiving the money back from the borrower in regular installments in future years. The Federal agency having responsibility for administering the credit program must counsel prospective borrowers on eligibility criteria and application procedures, evaluate applicant's eligibility and ability to repay, perform the administrative procedures to process the application, make and record the loan payment, receive and record the receipts for repayment, calculate the interest and remaining balance status, monitor the regularity of payments, follow up on delinquent status, and, where necessary, institute legal action to eliminate or minimize the loss to the Federal government in the event of the borrower's default on the loan.

For international trade "Credit Sales", the same basic process is involved except that the disbursement of the cash loan is replaced by the disbursement of cash to purchase and ship the commodities being exported to the foreign country involved.

The "Insured" loan is used where authority exists for the Federal government agency making the loans to package the notes of the borrowers into Certificates of Beneficial Ownership (CBO) and sell them to the Federal Financing Bank. Repayment of the CBO's are guaranteed ("insured") by the Federal government.

Loan "Guarantees" involves the Federal government actually guaranteeing a private lending institution that a stipulated portion (commonly 90 percent) of a borrower's loan will be repaid. The Federal government does not disburse or receive funds involved in the loan and repayment between the lending institution and the borrower. If the borrower defaults on the loan, the Federal government would have to disburse to the lending institution the portion of the borrower's unpaid balance representing the amount of the Federal guarantee. The Federal agency having responsibility for administering the credit program must counsel prospective borrowers on eligibility criteria and application procedures, evaluate applicant's eligibility and ability to pay, counsel and assist the borrower in arranging the loan with the lending institution, perform administrative procedures necessary to record the loan guarantee transaction, maintain liaison with the lending institutions to keep informed of the status of loan repayments, follow up on seriously delinquent status, and, where necessary, institute legal action to eliminate or minimize the loss of the Federal government in the event of the borrower's default on the loan. The Rural Electrification Administration (REA), however, guarantees loans made by the Federal Financing Bank. Because REA is guaranteeing loans made by another Federal agency, the transaction more closely resembles an insured loan.

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OFFICE OF THE SECRETARY

Purpose Statement

The Secretary of Agriculture, assisted by the Deputy Secretary, Under Secretaries and Assistant Secretaries, and members of their immediate staffs, directs and coordinates the work of the Department. This includes developing policy, maintaining relationships with agricultural organizations and others in the development of farm programs, and maintaining liaison with the Executive Office of the President and members of Congress on all matters pertaining to agricultural policy.

The Board of Contract Appeals is a reimbursable activity in the Office of the Secretary. As the authorized representative of the Secretary of Agriculture, the Board makes final administrative determinations for the Department of Agriculture in appeals handled under the Secretary's regulations.

The general authority of the Secretary to supervise and control the work of the Department is contained in the Organic Act (7 U.S.C. 2201-2202). The delegation of regulatory functions to the Department employees and authorization of appropriations to carry out these functions is contained in 7 U.S.C. 450c-450g.

The Secretary's Office and the staffs financed from this appropriation are all located in Washington, D.C. As of September 30, 1986, there were 74 permanent full-time and 5 other than full-time permanent employees.

OFFICE OF THE SECRETARY

Available Funds and Staff-Years1986 Actual and Estimated 1987 and 1988

Item	1986		1987		1988	
	Actual		Estimated		Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Direct Appropriation	\$5,320,000:	79	\$5,266,000:	85	\$5,903,000:	86
Obligations Under Other	:	:	:	:	:	:
<u>USDA Appropriations:</u>	:	:	:	:	:	:
Board of Contract	:	:	:	:	:	:
Appeals	654,914:	7	677,000:	9	697,000:	9
Forest Service	69,284:	1	71,000:	1	75,000:	1
Agriculture in the	:	:	:	:	:	:
Classroom	30,002:	-	-	-	-	-
Consumer Advisor	103,400:	2	103,000:	2	-	-
Presidential	:	:	:	:	:	:
Exchange	66,477:	-	76,000:	-	79,000:	-
Food and Nutrition	:	:	:	:	:	:
Service	78,068:	1	82,000:	1	85,000:	1
Miscellaneous	:	:	:	:	:	:
Reimbursements	110,324:	-	-	-	-	-
Total Other USDA	:	:	:	:	:	:
Appropriations	1,112,469:	11	1,009,000:	13	936,000:	11
Total, Agriculture	:	:	:	:	:	:
Appropriations	\$6,432,469:	90	\$6,275,000:	98	\$6,839,000:	97

Full-time Equivalent Staff-Years:	1986 <u>Actual</u>	1987 <u>Estimated</u>	1988 <u>Estimated</u>
Ceiling	89	94	93
Non-Ceiling	1	4	4
Total	90	98	97

OFFICE OF THE SECRETARY

Permanent Positions by Grade and Staff-Year Summary
1986 and Estimated 1987 and 1988

Grade	1986		1987		1988	
	Headquarters/Total	:	Headquarters/Total	:	Headquarters/Total	:
Executive Level I	1	:	1	:	1	:
Executive Level II	1	:	1	:	1	:
Executive Level III	1	:	2	:	2	:
Executive Level IV	7	:	7	:	7	:
ES-6	1	:	2	:	2	:
ES-5	3	:	3	:	3	:
ES-4	1	:	3	:	3	:
ES-3	7	:	5	:	4	:
ES-2	1	:	1	:	1	:
ES-1	1	:	1	:	1	:
GS/GM-18	1	:	1	:	1	:
GS/GM-17	1	:	1	:	1	:
GS/GM-16	3	:	3	:	3	:
GS/GM-15	14	:	14	:	14	:
GS/GM-14	2	:	3	:	3	:
GS-13	3	:	3	:	4	:
GS-12	2	:	2	:	1	:
GS-11	11	:	10	:	12	:
GS-10	2	:	2	:	10	:
GS-9	11	:	15	:	5	:
GS-8	5	:	5	:	5	:
GS-7	6	:	6	:	6	:
GS-6	1	:	1	:	1	:
GS-3	1	:	-	:	-	:
Ungraded Positions	2	:	2	:	2	:
Total Permanent Positions	89	:	94	:	93	:
Staff-Years:		:		:		:
Ceiling	89	:	94	:	93	:
Non-ceiling	1	:	4	:	4	:
TOTAL	90	:	98	:	97	:

OFFICE OF THE SECRETARY

CLASSIFICATION BY OBJECTS1986 and Estimated 1987 and 1988

	<u>1986</u>	<u>1987</u>	<u>1988</u>
Personnel Compensation:			
Headquarters	\$3,403,000	\$3,718,000	\$3,959,000
11 Total Personnel Compensation	3,403,000	3,718,000	3,959,000
12 Personnel Benefits	391,000	503,000	761,000
Total Pers. Comp. & Benefits	<u>3,794,000</u>	<u>4,221,000</u>	<u>4,720,000</u>
Other Objects:			
21 Travel	141,000	121,000	144,000
22 Transportation of things	1,000	1,000	2,000
23.3 Communications, utilities and other rent	530,000	408,000	464,000
24 Printing and reproduction ...	170,000	144,000	171,000
25 Other services	279,780	276,000	301,000
26 Supplies and materials	87,000	79,000	84,000
31 Equipment	<u>14,000</u>	<u>16,000</u>	<u>17,000</u>
Total Other Objects	<u>1,222,780</u>	<u>1,045,000</u>	<u>1,183,000</u>
Total Direct Obligations	<u>5,016,780</u>	<u>5,266,000</u>	<u>5,903,000</u>
<u>Position Data:</u>			
Average Salary, ES positions	\$67,353	\$67,703	\$67,703
Average Salary, GM/GS positions	\$37,708	\$39,319	\$44,430
Average Grade, GM/GS positions	11.03	10.95	11.16

OFFICE OF THE SECRETARY

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Office of the Secretary

For necessary expenses of the Office of the Secretary of Agriculture, including not to exceed \$75,000 for employment under 5 U.S.C. 3109, [\$1,623,000] \$5,903,000. Provided, that not to exceed \$8,000 of this amount shall be available for official reception and representation expenses, not otherwise provided for, as determined by the Secretary.

[Office of the Assistant Secretary for Administration]

For necessary expenses of the Office of the Assistant Secretary for Administration to carry out the programs funded in this Act, \$455,000.

Office of the Assistant Secretary for Governmental and Public Affairs

For necessary expenses of the Office of the Assistant Secretary for Governmental and Public Affairs to carry out the programs funded in this Act, \$318,000.

Office of the Assistant Secretary for Economics

For necessary expenses of the Office of the Assistant Secretary for Economics to carry out the programs funded in this Act, \$448,000.

Office of the Assistant Secretary for Science and Education

For necessary salaries and expenses for the Office of the Assistant Secretary for Science and Education to administer the laws enacted by the Congress for the Agricultural Research Service, Cooperative State Research Service, Extension Service, and National Agricultural Library, \$350,000.

Office of the Assistant Secretary for Marketing and Inspection Services

For necessary salaries and expenses for the Office of the Assistant Secretary for Marketing and Inspection Services to administer programs under the laws enacted by the Congress for the Animal and Plant Health Inspection Service, Food Safety and Inspection Service, Federal Grain Inspection Service, Agricultural Cooperative Service, Agricultural Marketing Service, (including Office of Transportation) and Packers and Stockyards Administration, \$327,000.

Office of the Under Secretary for International Affairs and Commodity Programs

For necessary salaries and expenses for the Office of the Under Secretary for International Affairs and Commodity Programs to administer the laws enacted by Congress for the Agricultural Stabilization and Conservation Service, Office of International Cooperation and Development, Foreign Agricultural Service, and the Commodity Credit Corporation \$473,000.

Office of the Under Secretary for Small Community and Rural Development

For necessary salaries and expenses for the Office of the Under Secretary for Small Community and Rural Development to administer programs under the laws enacted by the Congress for the Farmers and Home Administration, Rural Electrification Administration, Office of Rural Development Policy, and Federal Crop Insurance Corporation, \$394,000.

Office of the Assistant Secretary for Natural Resources and Environment

For necessary salaries and expenses for the Office of the Assistant Secretary for Natural Resources and Environment to administer the laws enacted by the Congress for the Forest Service and the Soil Conservation Service, \$363,000.

Office of the Assistant Secretary for Food and Consumer Services

For necessary salaries and expenses for the Office of the Assistant Secretary for Food and Consumer Services to administer the laws enacted by the Congress for the Food and Nutrition Information Service, \$330,000.]

This change merges amounts appropriated to Under and Assistant Secretaries with amounts appropriated to the Secretary of Agriculture for the operation of the offices within the Office of the Secretary to reestablish a single appropriation for that Office. The fiscal year 1986 Appropriations Act established separate appropriation accounts for the Immediate Office of the Secretary and each Under and Assistant Secretary. The fiscal year 1987 Appropriations Act continues the separate account arrangement.

This arrangement unduly restricts the necessary prerogative of an executive, such as the Secretary, to organize the resources of his office in a manner best suited to carry out the Department's programs. It is possible that changes in workload and personnel would make funding shifts advisable in the future.

The 1988 Budget proposes to reestablish a single account for these activities, but to identify each individual office as a line item within the account. In this manner, shifts of funds would be permissible but would be subject to normal reprogramming procedures. This proposal appears to represent the best balance between the valid right of the Congress to specify the use of funds and the reasonable management flexibility of the Executive Branch.

OFFICE OF THE SECRETARY

Appropriations Act, 1987	\$5,081,000
Budget Estimate, 1988	5,903,000
Increase in Appropriation	<u>+822,000</u>

Adjustments in 1987:

Appropriations Act, 1987	\$ 5,081,000	
Pay Costs and FERS	<u>+185,000</u>	a/
Adjusted Base for 1987.....		5,266,000
Budget Estimate, 1988		5,903,000
Increase from Adjusted 1987		<u>+637,000</u>

a/ Includes an increase of \$96,000 for pay increase and \$89,000 for retirement costs.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>1987 Estimated</u>	<u>Pay Costs and FERS</u>	<u>Program Change</u>	<u>1988 Estimated</u>
Immediate Office of the Secretary ...	\$1,683,000	+\$84,000	+\$122,000	\$1,889,000
Assistant Secretary for Administration	470,000	+ 24,000	+ 34,000	528,000
Assistant Secretary for Governmental and Public Affairs	331,000	+ 17,000	+ 23,000	371,000
Assistant Secretary for Economics	461,000	+ 17,000	+ 34,000	512,000
Assistant Secretary for Science and Education	363,000	+ 17,000	+ 26,000	406,000
Assistant Secretary for Marketing and Inspection Services	340,000	+ 17,000	+ 23,000	380,000
Under Secretary for International Affairs and Commodity Programs	489,000	+ 26,000	+ 34,000	549,000
Under Secretary for Small Community and Rural Development	410,000	+ 26,000	+ 30,000	466,000
Assistant Secretary for Natural Resources	376,000	+ 17,000	+ 26,000	419,000
Assistant Secretary for Food and Consumer Services	<u>343,000</u>	<u>+ 17,000</u>	<u>+ 23,000</u>	<u>383,000</u>
Total Available	<u>\$5,266,000</u>	<u>+262,000</u>	a/ <u>+375,000</u>	<u>5,903,000</u>

a/ Includes an increase of \$44,000 for pay costs effective in FY 1987 and \$218,000 for increased retirement costs.

PROJECT STATEMENT
(On basis of adjusted appropriation)

	: 1986 Actual		: 1987 Estimated		: Increase	: 1988 Estimated	
Project	: Amount	: Staff: : Years:	: Amount	: Staff: : Years:	: or : Decrease	: Amount	: Staff : Years
1. Immediate							
Office of the:							
Secretary...	\$1,600,015:	25 :	\$1,683,000 :	29 :	+\$206,000	\$1,889,000:	30
2. Under/Asst.							
Secretaries :							
Administration :	454,920:	6 :	470,000 :	6 :	+ 58,000	528,000:	6
OGPA	315,806:	6 :	331,000 :	6 :	+ 40,000	371,000:	6
Economics	443,116:	5 :	461,000 :	6 :	+ 51,000	512,000:	6
SEA	341,560:	6 :	363,000 :	6 :	+ 43,000	406,000:	6
MIS	319,464:	5 :	340,000 :	6 :	+ 40,000	380,000:	6
IACP	456,457:	7 :	489,000 :	7 :	+ 60,000	549,000:	7
SCRD	403,862:	7 :	410,000 :	7 :	+ 56,000	466,000:	7
NRE	358,024:	6 :	376,000 :	6 :	+ 43,000	419,000:	6
FCS	323,556:	6 :	343,000 :	6 :	+ 40,000	383,000:	6
Unobligated							
Balance :	303,220:						
Total Available							
or Estimate :	\$5,320,000:	79 :	\$5,266,000 :	85 :	+637,000(1):	5,903,000:	86
Transfer from							
AMS :	-58,000:		- - :				
Transfer to:							
DA and OGPA :	+54,000:		- - :				
ORDP :	+136,000:		- - :				
Transfer in for							
pay increase :							
costs and FERS :	- - :		-185,000 :				
Total							
Appropriation :	5,452,000:	79 :	5,081,000 :				

EXPLANATION OF PROGRAM

The Office of the Secretary, Deputy Secretary, Under Secretaries, Assistant Secretaries and their immediate staffs provide policy and guidance for the Department and maintain relationships with agricultural organizations and others in the development of farm programs.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$637,000 consisting of:
- (a) An increase of \$44,000 for annualization of pay that was absorbed in fiscal year 1987 that is necessary to carry out the programs in fiscal year 1988.
 - (b) An increase of \$218,000 associated with FERS that is necessary to carry out the programs in fiscal year 1988.
 - (c) An increase of \$37,000 for increased operating costs. This increase will provide for continuing the current level of services.
 - (d) An increase of \$338,000 for Office of the Secretary.

Need for Change

These additional resources would restore funding to a more realistic level commensurate with administering the functions and policies of a major Department.

Nature of Change

These resources would be used to provide an adequate level of leadership, policy planning, guidance and direction for the Department and to evaluate agricultural programs ensuring that accomplishments are consistent both with the Department's prescribed objectives and sound management principles.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1986 and Estimated 1987 and 1988

	<u>1986</u>		<u>1987</u>		<u>1988</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>
Washington, D.C.	\$5,016,780	79	\$5,266,000	85	\$5,903,000	86

OFFICE OF THE SECRETARY

PASSENGER MOTOR VEHICLES

The 1988 Budget Estimates propose no additional or replacement passenger motor vehicles.

Two vehicles are rented on an annual basis for use by the Secretary of Agriculture and the Deputy Secretary.

DEPARTMENTAL ADMINISTRATION

Purpose Statement

The Departmental Staff Offices provide staff support to the top policy officials of the Department and overall direction and coordination of the work of USDA's program agencies to ensure the efficient and effective management and operation of the Department.

Activities carried out by Departmental Staff Offices include:

- Overall direction and administration of the Department's budgetary functions including development, presentation, execution control, reporting and adjusting funds and manpower resources; evaluation of program and legislative proposals for program, budget, and related resource implications; and analysis of program resource issues and alternatives and preparation of summaries of pertinent data to aid Departmental policy officials and agency program managers in the decision-making process.
- Departmental leadership, oversight, and policy development in the areas of real and personal property, procurement, contracts, motor vehicles, management improvement, and automated data processing.
- Guidance in and support of the personnel management program of the Department.
- Overall leadership, and coordination for the Department's programs for equal opportunity and civil rights; implementation and administration of programs under Sections 8 and 15 of the Small Business Act; direction of the Department's efforts to further the participation of minority colleges and universities in Departmental programs; and direction and monitoring of compliance in promoting full and open competition in procurement.
- Departmental leadership, development and evaluation of programs in finance, accounting, Federal assistance, occupational safety and health, travel, productivity improvement, and management improvement; and provision of budget, accounting and fiscal services to the Office of the Secretary and Departmental Staff Offices.
- Regulatory hearings and decisions by the Administrative Law Judges who hold rulemaking and adjudicatory hearings and issue initial decisions and orders, and by the Judicial Officer who serves as final deciding officer in regulatory proceedings.
- Development and dissemination of Departmental standards, guidelines, rules, and regulations necessary to implement approved Information Resources Management (IRM) principles, policies, and programs that improve the operational effectiveness of USDA's programs; provision of telecommunications and ADP services to USDA agencies and Staff Offices.

- Development of policies and procedures to minimize and control burdens associated with collection of information by the Department from individuals, businesses, and other private institutions, and State and local governments.
- Development of policies and procedures to provide required long-range IRM planning for the Department and to guide the planning of its agencies.
- Development of policies and procedures for the required review, monitoring and oversight of major Agency and Departmental Information Resources Management programs.

Working Capital Fund Activities. In addition to the activities indicated above, the Department's Staff Offices provide central services to the agencies of the Department, which are currently financed under the Department's Working Capital Fund (7 U.S.C. 2235) and include central accounting, payroll, voucher payments, billings and collections, supply, reproduction and copier services, mail collection and delivery, mailing lists, forms distribution, central shipping and receiving, excess property control, executive correspondence control, Imprest Fund, an automated contract system, computer services and centralized telecommunication services. A detailed explanation of these activities is presented in the Working Capital Fund section.

Reimbursable Activities. Includes personnel training services, and travel and printing for the Administrative Law Judges as well as reimbursements for service to Working Capital Fund activities.

Geographic Location. The majority of the staff offices are located in Washington, D.C. Central services financed through the Working Capital Fund are provided by the National Finance Center located in New Orleans and by the Department's computer centers located in Washington, D.C., Kansas City, Missouri and Fort Collins, Colorado, and by other administrative service units located in the Washington Metropolitan area.

As of September 30, 1986, there were 1,806 full-time employees and 156 part-time employees in the staff offices included under Departmental Administration, including 697 permanent full-time and 43 part-time employees located in Washington, D.C.

DEPARTMENTAL ADMINISTRATION

Available Funds and Staff-Years1986 Actual and Estimated, 1987 and 1988

Item	1986		1987		1988	
	Actual		Estimated		Estimated	
	Amount	Staff: Years	Amount	Staff: Years	Amount	Staff: Years
Direct Obligations	\$21,644,569:	415	\$23,072,000:	435	\$40,239,000:	438
Obligations Under Other	:	:	:	:	:	:
<u>USDA Appropriations:</u>	:	:	:	:	:	:
EEO Complaints Appeals	:	:	:	:	:	:
and Investigations.....	925,645:	- -	- -	- -	- -	- -
Mine Safety Board.....	- -	- -	24,000:	- -	24,000:	- -
Department of Interior..	- -	- -	24,000:	- -	24,000:	- -
Miscellaneous Details....	71,062:	- -	45,000:	- -	52,000:	- -
Office of Administrative:	:	- -	:	- -	:	- -
Law Judges.....	43,365:	- -	90,000:	- -	98,000:	- -
Office of Management	:	:	:	:	:	:
Reform.....	175,684:	- -	- -	- -	- -	- -
Subtotal.....	1,215,756:	- -	183,000:	- -	198,000:	- -
Management Support	:	:	:	:	:	:
Services Provided To	:	:	:	:	:	:
WCF Activities.....	3,282,000:	83	3,342,000:	78	3,473,000:	78
Total, Reimbursements	4,497,756:	83	3,525,000:	78	3,671,000:	78
<u>Working Capital Fund:</u>	:	:	:	:	:	:
Supply and Other Central:	:	:	:	:	:	:
Services.....	7,394,000:	85	8,974,000:	94	9,156,000:	94
Reproduction Services....	2,827,000:	36	3,540,000:	32	3,691,000:	32
National Finance Center..	45,695,000:	1,157	51,661,000:	1,125	52,709,000:	1,125
ADP Services.....	39,477,000:	227	49,700,000:	232	50,872,000:	232
Purchase of Equipment....	12,754,000:	- -	14,569,000:	- -	17,123,000:	- -
Subtotal, Working	:	:	:	:	:	:
Capital Fund.....	108,147,000:	1,505	128,444,000:	1,483	133,551,000:	1,483
TOTAL, Other USDA	:	:	:	:	:	:
Appropriations.....	112,644,756:	1,588	131,969,000:	1,561	137,222,000:	1,561
TOTAL, Departmental	:	:	:	:	:	:
Administration.....	134,289,325:	2,003	155,041,000:	1,996	177,461,000:	1,999
Full-time Equivalent	1986		1987		1988	
Staff-Years:	<u>Actual</u>		<u>Estimated</u>		<u>Estimated</u>	
Ceiling.....	1,943		1,899		1,902	
Non-Ceiling.....	60		97		97	
Total.....	2,003		1,996		1,999	

DEPARTMENTAL ADMINISTRATION

Permanent Positions by Grade and Staff-Year Summary
1986 and Estimated 1987 and 1988

GRADE	1986				1987				1988			
	HEADQUARTERS:	FIELD	TOTAL	HEADQUARTERS:	FIELD	TOTAL	HEADQUARTERS:	FIELD	TOTAL	HEADQUARTERS:	FIELD	TOTAL
ES-6	2	-	2	2	-	2	2	-	2	2	-	2
ES-5	9	1	10	9	-	9	9	-	9	9	-	9
ES-4	6	2	8	6	3	9	6	4	10	6	4	10
ES-3	2	1	3	2	-	2	2	-	2	2	-	2
GS/GM-17	1	-	1	1	-	1	1	-	1	1	-	1
GS/GM-16	5	-	5	6	-	6	6	-	6	6	-	6
GS/GM-15	33	8	41	32	8	40	40	8	40	32	8	40
GS/GM-14	79	30	109	80	30	110	110	30	112	82	30	112
GS/GM-13	149	76	225	154	92	246	246	92	247	155	92	247
GS-12	81	143	224	81	173	254	254	173	254	81	173	254
GS-11	22	128	150	24	125	149	149	125	149	24	125	149
GS-10	14	6	20	13	7	20	20	7	20	13	7	20
GS-9	29	60	89	25	50	75	75	50	75	25	50	75
GS-8	48	43	91	50	43	93	93	43	93	50	43	93
GS-7	54	82	136	51	105	156	156	105	156	51	105	156
GS-6	45	137	182	39	162	201	201	162	201	39	162	201
GS-5	44	244	288	48	212	260	260	212	259	48	211	259
GS-4	35	149	184	32	193	225	225	193	225	32	193	225
GS-3	4	93	97	5	56	61	61	56	61	5	56	61
GS-2	-	38	38	-	-	-	-	-	-	-	-	-
Other Graded Positions	38	-	38	56	-	56	56	-	56	56	-	56
Ungraded Positions ...	-	21	21	-	21	21	21	21	21	-	21	21
Total Permanent Positions	700	1,262	1,962	716	1,280	1,996	1,996	1,280	1,999	719	1,280	1,999
Staff-Years:												
Ceiling	694	1,250	1,943	716	1,183	1,899	1,899	1,183	1,902	719	1,183	1,902
Non-ceiling	7	53	60	9	88	97	97	88	97	9	88	97
TOTAL	701	1,303	2,003	725	1,271	1,996	1,996	1,271	1,999	728	1,271	1,999

DEPARTMENTAL ADMINISTRATIONCLASSIFICATION BY OBJECTS1986 and Estimated 1987 and 1988

	<u>1986</u>	<u>1987</u>	<u>1988</u>
Personnel Compensation:			
Headquarters.....	\$15,994,975	16,270,000	17,195,000
Field.....	- -	- -	- -
11 Total personnel compensation.	15,994,975	16,270,000	17,195,000
12 Personnel benefits.....	1,692,280	2,271,000	3,469,000
13 Benefits for former personnel	29,742	49,000	52,000
Total Personnel Comp. and			
Benefits.....	<u>17,716,997</u>	<u>18,590,000</u>	<u>20,716,000</u>
Other Objects:			
21 Travel.....	253,174	209,000	241,000
22 Transportation of things....	4,243	10,000	10,000
23.2 Communications, utilities			
and other rent.....	851,892	1,080,000	1,124,000
24 Printing and reproduction...	298,548	420,000	401,000
25 Other services.....	1,519,491	2,226,000	17,218,000
26 Supplies and materials	373,207	317,000	335,000
31 Equipment.....	471,144	153,000	124,000
41 Grant & Subsidies and			
Contributions.....	- -	67,000	70,000
Total other objects.....	<u>3,771,699</u>	<u>4,482,000</u>	<u>19,523,000</u>
Total direct obligations.....	<u>21,488,696</u>	<u>23,072,000</u>	<u>40,239,000</u>

Position Data:

Average Salary, ES positions.....	\$69,474	\$70,915	\$71,825
Average Salary, GM/GS positions.....	\$34,608	\$33,678	\$35,825
Average Grade, GM/GS positions.....	8.4	8.5	8.7

DEPARTMENTAL ADMINISTRATION

The estimates include appropriation language for this item as follows: (new language underscored; deleted matter enclosed in brackets):

Departmental Administration

For Budget and Program Analysis, [\$3,611,000;] \$4,284,000; for Personnel, Finance and Management, Operations, Information Resources Management, Advocacy and Enterprise, [and] Administrative Law Judges and Judicial Officer, 1 [\$17,616,000;] \$20,845,000; and in addition, for payment of the USDA share of 2 the National Communications System, \$110,000; for identification and assessment of, and response action to Department of Agriculture hazardous substance sites, except expenses of the Commodity Credit Corporation, \$15,000,000; making a total of [\$21,227,000] \$40,239,000 for Departmental Administration to provide for necessary expenses for management support services to offices of the Department of Agriculture and for general administration and emergency preparedness of the Department of Agriculture, repairs and alterations, and other miscellaneous supplies and expenses not otherwise provided for and necessary for the practical and efficient work of the Department of Agriculture, including employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), of which not to exceed \$10,000 is for employment under 5 U.S.C. 3109: Provided, That this appropriation shall be reimbursed from applicable appropriations in this Act for travel expenses incident to the holding of hearings as required 3 by 5 U.S.C. 551-558: Provided further, that funds made available under this head for hazardous waste management may be transferred to any bureau of the Department for such purposes as required under 42 U.S.C. 9607g and 42 U.S.C. 6969.

The first change is necessary due to addition of funding for USDA's prorata share of the National Communications System, which is an emergency communications network established by National Security Decision Directive 201 as part of the National Security and Emergency Preparedness program.

The second and third change are proposing funding for Hazardous Waste Management. The funds would be used for the identification and assessment of hazardous waste materials and the clean-up of contaminated materials. A central account will be established from which funds will be allocated to agencies according to priority of need.

DEPARTMENTAL ADMINISTRATION

Appropriation Act, 1987	\$21,227,000
Budget Estimate, 1988	40,239,000
Increase in Appropriation	<u>+19,012,000</u>

Adjustments in 1987:

Appropriation Act, 1987	\$21,227,000
Pay costs and FERS a/	+999,000
Transfers from USDA agencies for reimbursable activities b/	<u>+846,000</u>
Adjusted Base for 1987	23,072,000
Budget Estimate, 1988	40,239,000
Increase from adjusted 1987	<u>+17,167,000</u>

a/ Includes an increase of \$541,000 for pay increases and \$458,000 for retirement costs.

b/ Resources for activities transferred in FY 1987 include \$304,000 for the Office of Personnel to plan and conduct training programs and \$542,000 for ADP support services provided by the Departmental Computer Services unit.

SUMMARY OF INCREASES AND DECREASES

(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>1987 estimated</u>	<u>Pay Cost and FERS</u>	<u>Program Changes</u>	<u>1988 Estimated</u>
Budget and Program Analysis	\$ 3,752,000	+\$197,000	+\$335,000	\$4,284,000
Personnel.....	5,284,000	+319,000	+105,000	5,708,000
Finance and Management.....	3,559,000	+209,000	0	3,768,000
Operations.....	2,414,000	+169,000	+118,000	2,701,000
Information Resources				
Management.....	4,338,000	+209,000	0	4,547,000
Advocacy and Enterprise....	2,840,000	+174,000	+165,000	3,179,000
Administrative Law Judge & Judicial Officer.....	885,000	+57,000	0	942,000
National Communications				
System.....	0	0	+110,000	110,000
Hazardous Waste.....	0	0	+15,000,000	15,000,000
Total Available.....	<u>23,072,000</u>	<u>+1,334,000</u> a/	<u>+15,833,000</u>	<u>40,239,000</u>

a/ Includes an increase of \$233,000 for the pay increase effective in FY 1987 and 1,101,000 for increased retirement costs.

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1986 Actual		1987 Estimated		Increase or Decrease	1988 Estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
1. Budget and Program							
Analysis.....	\$3,561,295	72	\$3,752,000	75	+\$532,000(1)	\$4,284,000	78
2. Departmental							
Administrative							
Management.....							
Staff Offices:							
a. Personnel...	5,098,621	101	5,284,000	107	+424,000	5,708,000	107
b. Finance and							
Management..	3,351,134	60	3,559,000	62	+209,000	3,768,000	62
c. Operations..	2,406,380	52	2,414,000	61	+287,000	2,701,000	61
d. Information							
Resources							
Management..	3,882,545	61	4,338,000	57	+209,000	4,547,000	57
e. Advocacy and							
Enterprise..	2,386,865	52	2,840,000	54	+339,000	3,179,000	54
f. Administra-							
tive Law							
Judges &							
Judicial							
Officer.....	801,856	17	885,000	19	+57,000	942,000	19
Total Staff							
Offices	17,927,401	343	19,320,000	360	+1,525,000(2)	20,845,000	360
g. National							
Communica-							
tions System:	0	0	0	0	+110,000(3)	110,000	0
h. Hazardous							
Waste Mgmt..	0	0	0	0	+15,000,000(4)	15,000,000	0
Total, Admin. Mgmt:	17,927,401	343	19,320,000	360	+16,635,000	35,955,000	360
Unobligated							
Balance.....	155,873	0	0	0	0	0	0
Total Available...	21,644,569	415	23,072,000	435	+17,167,000	40,239,000	438
Proposed pay cost							
& FERS supplemental:	- -	- -	-999,000	- -			
Shift from Reim-							
bursable Activi-							
ties.....	-3,294,569	-45	-846,000	-6			
Total, Appropria-							
tion.....	18,350,000	370	21,227,000	429			

EXPLANATION OF PROGRAM

This appropriation provides for the following activities:

Budget and Program Analysis - This activity provides direction and administration of the Department's budgetary functions including development, presentation, execution, control, reporting and adjusting fund and staff-year resources; evaluates program and legislative proposals for program, budget and related resources implications; analyzes program and resource issues and alternatives, and prepares summaries of pertinent data to aid Departmental policy officials and agency program managers in the decision-making process; provides Department-wide coordination for and participation in the presentation of budget related matters to the Committees of the Congress, the press, and interested public. Provides Department-wide coordination of the preparation and processing of legislative programs and reports; and develops and maintains a mission-oriented program structure which defines Department missions, goals and objectives for the purpose of establishing long and short range program planning and to aid the Secretary and other Departmental agency officials in making management decisions regarding the Department's programs and resources.

Personnel - This activity provides general liaison, direction, leadership coordination and monitoring of the personnel management program in the Department. Departmental policies and procedures relating to all personnel functions are promulgated, and provides operational services and equal employment opportunity under Title 7 of the Civil Rights Act of 1964 to the Office of the Secretary, Office of the Inspector General, Office of the General Counsel, Office of Governmental and Public Affairs, Office of Budget and Program Analysis, and the Departmental Administrative Staff Offices.

Finance and Management - This activity provides Departmental leadership, development and evaluation of programs in finance, accounting, Federal occupational safety and health, productivity and management improvements. The Director serves as the Department's finance officer, management improvement officer and comptroller of the Working Capital Fund. Finance and Management also provides budget, accounting and fiscal operational services to the Departmental Administrative Staff Offices, Office of the General Counsel, Office of Governmental and Public Affairs, Office of Budget and Program Analysis and the Office of the Secretary.

Operations - This activity provides staff and support services to the USDA Agencies in the management of real and personal property, procurement, contracts, supplies, motor vehicles and internal energy conservation. Under an agreement with GSA, it operates and provides maintenance services to the Washington, D.C. building complex. The Office of Operations also provides procurement and contract operational services to Departmental Administrative Staff Offices, Office of the General Counsel, Office of Governmental and Public Affairs, Office of Budget and Program Analysis and the Office of the Secretary.

Information Resources Management - This activity designs, implements and revises systems, processes, work methods and techniques to improve the management of information resources and the operational effectiveness of USDA. The Director serves as the Department's clearance officer for statistical reporting and information collection. This activity also provides telecommunications and ADP services to USDA agencies and staff offices including the Washington Computer Center, Fort Collins Computer Center, and Kansas City Computer Center. The Office of Information Resources Management also provides, through a Departmental Management Computer Unit, ADP Operational Services to the Departmental Administrative Staff Offices, Office of Budget and Program Analysis, Office of Governmental and Public Affairs and the Office of the Secretary.

Advocacy and Enterprise - This activity provides leadership, and coordination for the Department's programs for Equal Opportunity, Civil Rights and Affirmative action; implementation and administration of sections 8 and 15 of the Small Business Act; and direction of Departmental efforts to further the participation of minority colleges and universities in USDA programs; direction and monitoring of compliance in promoting full and open competition in procurement.

Administrative Law Judges/Judicial Officer - The Administrative Law Judges hold hearings in connection with prescribing new regulations and orders and on disciplinary complaints filed by the Department or on some petitions filed by private parties asking relief from actions of the Department. Final administrative decisions in regulatory proceedings are rendered by the Judicial Officer.

National Communications System - This activity represents USDA's proportionate share of the cost of developing a nationwide emergency preparedness telecommunications network established and required by Presidential National Security Decision Directive number 201.

Hazardous Waste Management - This activity funds the Department's efforts to contain, clean up, monitor, and inspect for hazardous waste in areas covered by programs of the Department or within Departmental jurisdiction.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of \$532,000 for the Office of Budget and Program Analysis consisting of:

- (a) An increase of \$21,000 to annualize 1987 pay costs and an increase of \$176,000 to fund increased costs associated with the Federal Employees Retirement System.
- (b) An increase of \$335,000 to provide adequate staffing and supporting systems for the work of the office.

Need for Change. Since 1982 the staffing level for this small office has declined by over 18 percent from 92 staff years to an estimated 75 staff years in FY 1987. During the same period workload associated with the development, presentation and execution of the Department's budget has steadily increased. This increased workload has been the result of many factors including continued implementation of the Budget and Impoundment Control Act of 1974, need for budget analysis of a large number of legislative proposals affecting the Department's programs, and most recently by the implementation of the Gramm-Rudman-Hollings legislation. Workload increases have been met through an aggressive program to automate activities, wherever possible, and to reduce paperwork to minimum levels. However, even with these efforts it is not possible to sustain current quantity and quality of work without modest additional resources.

Nature of Change. The requested increase in funding will provide for a staff level of 78 staff years. This level is still 15 percent below the 1982 level but adequate to handle the workload in light of other management improvement efforts which have been accomplished. The increase would also provide funding for continued development of automated systems, improved training of staff, and other improvements which are necessary to maintain the quality of services provided to the Department, the Congress and to other users.

(2) An increase of \$1,525,000 for the Administrative Staff Offices consisting of:

- (a) An increase of \$212,000 for the Administrative Staff Offices to annualize pay costs and an increase of \$925,000 to fund increased costs associated with the Federal Employees Retirement System.

An increase of \$388,000 for the Administrative Staff Offices, including \$105,000 to continue work in the areas of personnel policy, program guidance, employee relations and grievances, and classification appeals; \$118,000 to be applied to Department-wide efforts to track and manage Departmental motor vehicle utilization, support equipment and property management programs across the Department, as well as manage leases delegated to USDA by GSA; and \$165,000 to conduct needed on-site reviews, automation of Civil Rights and Equal Opportunity records and tracking systems.

Need for change. The Administrative Staff Offices have repeatedly absorbed management reductions, met deficit reduction targets and attempted to continue providing service and policy oversight and guidance to USDA's agencies in an environment of declining resources. New work has been added to already overburdened staff groups to meet new initiatives that will continue the effectiveness of the Department's programs, e.g. oversight of Civil Rights activities. These important functional areas of administration need increased resources to restore and maintain the Offices' effectiveness.

Nature of Change. Increased application of resources across various object classes of expenditure.

- (3) An increase of \$110,000 to pay USDA's prorata share of the National Communications Systems (NCS).

Need for Change. USDA must contribute resources to aid in financing a National Level Program (NLP) of emergency communications as required by National Security Decision Directive (NSDD) 201.

Nature of Change. Increase of \$110,000 in Other Services to pay USDA's share. This payment supports development of the NCS and is not a regular Departmental activity.

- (4) An increase of \$15,000,000 for Hazardous Waste Management that will fund hazardous waste clean up, containment and inspections of areas covered by programs of the Department or within Departmental jurisdiction.

Need for Change. The last session of Congress reauthorized the Comprehensive Environmental Response, Conservation and Recovery Act commonly known as Superfund. Among its provisions were requirements that Federal agencies meet the same requirements regarding past uncontrolled hazardous waste practices as the private sector and report their known problems to the Environmental Protection Agency. Federal cleanup responsibilities must be financed through agency appropriations except for those sites where both Federal agencies and private businesses contributed to the problem. In the latter instance, a combination of private payments, Federal agency payments, and Superfund payments may be used for cleanup. In the case of regulated hazardous waste storage and disposal facilities currently in use, the Resource Conservation and Recovery Act also imposes the same standards on Federal Facilities which apply to private businesses. In 1986 and 1987 expenditures related to the Department's responsibilities regarding hazardous waste were financed from agencies' available funds.

Nature of Change. Beginning with 1988, the Department will operate a central account from which resources will be allocated to agencies according to priority of need.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1986 and Estimated 1987 and 1988

	1986		1987		1988	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>
Washington, D.C.	\$21,488,696	415	23,072,000	435	40,239,000	438

WORKING CAPITAL FUND

CLASSIFICATION BY OBJECTS1986 and Estimated 1987 and 1988

	<u>1986</u>	<u>1987</u>	<u>1988</u>
Personnel Compensation:			
Headquarters	\$ 3,885,000	\$ 5,067,000	\$ 5,068,000
Field	31,559,000	33,995,000	34,272,000
11 Total Personnel Compensation	35,444,000	39,062,000	39,340,000
12 Personnel Benefits	4,573,000	5,153,000/1	5,829,000/1
13 Benefits for Former Personnel ...	111,000	87,000	88,000
Total Personnel Compensation and Benefits	40,128,000 2/	44,302,000	45,257,000
Other Objects:			
21 Travel	518,000	887,000	865,000
22 Transportation of Things	172,000	249,000	215,000
23.1 Standard Level User Charges.....	2,733,000	3,437,000	3,612,000
23.2 Communications, Utilities and Other Rent	25,329,000	30,312,000	28,613,000
24 Printing and Reproduction	1,071,000	1,156,000	1,118,000
25 Other Services	19,148,000	22,940,000	23,266,000
26 Supplies and Materials	4,507,000	5,779,000	5,461,000
31 Equipment	13,221,000	15,022,000	17,557,000
43 Interest and dividends	8,000	0	0
92 Depreciation	4,184,000	7,360,000	10,720,000
Total other objects	70,891,000	87,142,000	91,427,000
Total	<u>\$111,019,000</u>	<u>\$131,444,000</u>	<u>\$136,684,000</u>

Position Data:

Average Salary, ES positions	\$68,700	\$70,800	\$70,800
Average Salary, GM/GS positions ...	\$22,412	\$23,366	\$23,567
Average Grade, GM/GS positions	7.43	7.67	7.77

1/ This amount includes estimates of contributions to the Federal Employee Retirement System.

2/ This amount reflects comparability with FY 1987 and FY 1988 estimates which include activities transferred to the Working Capital Fund in FY 1987. The budget shows a total of \$39,885,000 for object classes 11, 12, and 13, therefore not exceeding the \$40,001,000 limitation set forth in section 607 of the General Provisions of the Agriculture, Rural Development, and Related Agencies Appropriations Act of FY 1986.

WORKING CAPITAL FUND

The estimates include appropriation language for this item as follows:

Working Capital Fund

An amount of [\$5,708,000] \$6,000,000 is hereby appropriated to the Departmental Working Capital Fund to increase the Government's equity in this fund and to provide for the purchase of automated data processing, data communication, and other related equipment necessary for the provision of Departmental centralized services to the agencies.

(7 U.S.C. 2235; Agriculture, Rural Development, and Related Agencies Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101 (a).)

WORKING CAPITAL FUNDAppropriation:

Appropriation Act, 1987	\$ 5,708,000
Budget Estimate, 1988	6,000,000
Change in Appropriation	<u>+\$ 292,000</u>

Program Activity:

Operating Estimate, 1987	\$116,741,000
Budget Estimate, 1988	119,433,000
Increase Over 1987	<u>+\$ 2,692,000</u>

SUMMARY OF INCREASES AND DECREASES
(Appropriation)

<u>Item of Change</u>	<u>1987 Estimated</u>	<u>Program Changes</u>	<u>1988 Estimated</u>
Capitalization of the Fund.....	\$5,708,000	+\$292,000	\$6,000,000

PROJECT STATEMENT
(On Basis of Appropriation)

Project	1986		1987 (Estimated)		Increase or Decrease	1988 (Estimated)	
	Amount	Staff- Years	Amount	Staff- Years		Amount	Staff- Years
1. Working Capital Fund	\$5,964,000	--	\$5,708,000	--	+\$ 292,000	\$6,000,000	--
Total	\$5,964,000	--	\$5,708,000	--	+\$ 292,000	\$6,000,000	--

1. An increase of \$292,000 in the Appropriation for Capital Equipment (\$5,708,000 available in FY 1987).

Need for Change. An increase of \$292,000 over the FY 1987 amount is requested for FY 1988 in order to proceed with the fourth year of the plan to increase the capitalization of the Working Capital Fund begun in FY 1985.

Nature of Change. The increase is needed for the purchase of new ADP equipment and for the conversion of existing leased equipment to purchase. The purchases will result in lower costs being billed to agencies using the services provided by the Working Capital Fund activities, primarily the National Finance Center and the Departmental computer centers.

Working Capital Fund

SUMMARY OF INCREASE AND DECREASES
(Program Activity)

Item of Change	1987 Estimated	Program Changes	1988 Estimated
1. Supply & Other Central Services ..	\$ 8,974,000	\$ +182,000	\$ 9,156,000
Central Supply Stores	1,789,000	+75,000	1,864,000
Central Supply Forms	2,015,000	-82,000	1,933,000
Mail Distribution Service	2,870,000	+72,000	2,942,000
Executive Corresp. & Records	624,000	+31,000	655,000
Central Shipping & Receiving	351,000	+11,000	362,000
Central Excess Property	1,068,000	+54,000	1,122,000
Centralized Imprest Fund	92,000	+6,000	98,000
Agriculture Contract Auto. Sys.	165,000	+15,000	180,000
2. Reproduction Services	3,540,000	+151,000	3,691,000
Copier/Duplication Center	3,540,000	+151,000	3,691,000
3. Video & Film. & Visual Design Services	2,866,000	+139,000	3,005,000
Video and Film	941,000	+50,000	991,000
Visual Design Services	1,925,000	+89,000	2,014,000
4. Office of Finance & Management ...	51,661,000	+1,048,000	52,709,000
Headquarters	505,000	+2,000	507,000
National Finance Center	51,156,000	+1,046,000	52,202,000
5. ADP Services	49,700,000	+1,172,000	50,872,000
Washington Computer Center	12,283,000	+1,832,000	14,115,000
Fort Collins Computer Center	12,638,000	+1,334,000	13,972,000
Kansas City Computer Center	22,652,000	-2,052,000	20,600,000
Computer Services Unit	822,000	+7,000	829,000
Telephone Service Operations	877,000	+35,000	912,000
Local Area Network	428,000	+16,000	444,000
Total Recurring Operations	\$116,741,000	\$ +2,692,000	\$119,433,000
Capital Equipment Acquisition	14,703,000	+2,548,000	17,251,000
Total	131,444,000	+5,240,000	136,684,000

PROJECT STATEMENT
(On Basis of Program Activity)

Project	1986		1987 (Estimated)		Increase or Decrease	1988 (Estimated)	
	Amount	Staff- Years	Amount	Staff- Years		Amount	Staff- Years
1. Supply & Other Central Serv...	\$ 7,394,000	84	\$ 8,974,000	94	+\$182,000	\$ 9,156,000	94
Central Supply Stores	1,410,000	6	1,789,000	6	+75,000	1,864,000	6
Central Supply Forms	1,962,000	3	2,015,000	3	-82,000	1,933,000	3
Automated Mailing List/1	427,000	3	0	0	0	0	0
Mail Distribution Service	1,662,000	53	2,870,000	62	+72,000	2,942,000	62
Executive Corresp. & Records	568,000	11	624,000	11	+31,000	655,000	11
Agri. Contract Auto. System	0	0	165,000	1	+15,000	180,000	1
Central Shipping & Receiving	269,000	1	351,000	1	+11,000	362,000	1
Central Excess Property	1,055,000	6	1,068,000	8	+54,000	1,122,000	8
Central Imprest Fund	41,000	1	92,000	2	+6,000	98,000	2
2. Reproduction Services	2,827,000	37	3,540,000	32	+151,000	3,691,000	32
Copier/Duplication Center	1,643,000	23	3,540,000	32	+151,000	3,691,000	32
Photocomposition/2	130,000	1	0	0	0	0	0
Printing Plant/3	1,054,000	13	0	0	0	0	0
3. Video & Film, Photographic & Other Visual Info. Serv....	2,743,000	18	2,866,000	21	+139,000	3,005,000	21
Photography Service	3,000	0	0	0	0	0	0
Video and Film	796,000	8	941,000	9	+50,000	991,000	9
Visual Design Services	1,944,000	10	1,925,000	12	+89,000	2,014,000	12
4. Office of Finance & Mgmt.....	45,695,000	1.157	51,661,000	1.125	+1,048,000	52,709,000	1.125
Headquarters	456,000	7	505,000	7	+2,000	507,000	7
National Finance Center/4	45,239,000	1.150	51,156,000	1.118	+1,046,000	52,202,000	1.118
5. ADP Services	39,477,000	227	49,700,000	232	+1,172,000	50,872,000	232
Washington Computer Center	10,387,000	70	12,283,000	75	+1,832,000	14,115,000	75
Fort Collins Computer Center	11,422,000	72	12,638,000	69	+1,334,000	13,972,000	69
Kansas City Computer Center	16,023,000	78	22,652,000	80	-2,052,000	20,600,000	80
Computer Services Unit	897,000	7	822,000	8	+7,000	829,000	8
Telephone Service Oper.	626,000	0	877,000	0	+35,000	912,000	0
Local Area Network	122,000	0	428,000	0	+16,000	444,000	0
Total Recurring Operations	98,136,000	1.523	116,741,000	1.504	+2,692,000	119,433,000	1.504
Capital Equipment Acquisition	12,883,000	0	14,703,000	0	+2,548,000	17,251,000	0
Total	111,019,000	1.523	\$131,444,000	1.504	+5,240,000	\$136,684,000	1.504
Comparability Adjustment/5	-2,113,000	- 8	0	0	0	0	0
Total	\$108,906,000	1.515	\$131,444,000	1.504	+\$5,240,000	\$136,684,000	1.504

1/ Automated Mailing List incorporated into Mail Distribution Service beginning in FY 1987.

2/ Photocomposition transferred to Office of Governmental and Public Affairs appropriated funds in FY 1986.

3/ Printing Plant closed at the end of FY 1986.

4/ National Finance Center cost estimates for FY 1987 and FY 1988 do not include estimates of operations costs for the Federal Employees Retirement System. These costs have not yet been estimated. Staff year estimates for FY 1987 and FY 1988 do not include FERS and cross-servicing requirements.

5/ Amounts shown reflect costs and staff-years for activities new to the WCF in FY 1987 (Central Shipping and Receiving, Central Excess Property, Central Imprest Fund, Telephone Service Operation, and Local Area Network).

WORKING CAPITAL FUND

Explanation of Program

The USDA Working Capital Fund was authorized in 1944 by 7 U.S.C. 2235 and is used to finance services provided to USDA agencies on a centralized basis. Under the law, only activities approved by the Director of OMB may be carried out under the Fund. Centralization is recommended by the Department and approved by OMB when:

- Centralization will result in cost savings due to:
 - Economies of scale
 - Reduced overhead
 - Central cost based management
 - Coordination which avoids duplication of effort among agencies
- Centralization offers other advantages such as:
 - Improved services to agencies and to the public
 - Availability of services to agencies which could not afford them except on a centralized basis
 - Ability to replace equipment on a long-term basis including depreciation costs in rates charged to users

The Fund received an initial appropriation of \$400,000 in 1944. Over the years additional working capital has been made available through initial transfers into the Fund of activities meeting the above criteria and through Congressional authorizations to receive growth capital from serviced USDA agencies. In FY 1987 the Fund received an appropriation of \$5,708,000 for capital procurement. This \$5,708,000 will be used to purchase currently leased or new equipment used by the Computer Centers and the National Finance Center to provide requested services to agencies of the Department. This investment will avoid lease cost increases over the remaining life of the equipment and result in lower unit costs for central services provided to these users. We are requesting an additional \$6,000,000 capital funding in FY 1988 as the final phase of a planned 4-year program to increase the capitalization of the Fund.

WCF operations are financed by charging user agencies the actual costs of providing the centralized services they require. The following services are performed for the agencies and financed through the Working Capital Fund:

Supply and Other Central Services. This activity includes the following services under the supervision of the Office of Operations: (a) central supply, which provides for the acquisition, receipt, storage, issuance, packing and shipment of office and other supplies, blank forms and miscellaneous materials; (b) central mail services, which include operation of the USDA mail processing unit providing mail and messenger services for most agencies, and automated mailing list services; (c) executive correspondence and records system, which refers all mail addressed to the Secretary, the immediate Office of the Secretary, and the Department to the appropriate agency for preparation of replies and operates a control system to assure timely processing of correspondence; (d) central excess property, which coordinates receipt, rehabilitation, and distribution of personal property for USDA; (e) central shipping and receiving services; (f) central imprest fund, which provides cash advances for small purchases and travel; and (g) software maintenance for an automated contract system used by agencies and staff offices to prepare procurement documents.

Reproduction Services. The Duplicating Facility and Copier Service in the Office of Operations provide duplicating, reproducing, binding, addressing and mailing, and short order and copier stations for duplicating and xerographic production.

Video and Film. & Visual Design Services. The Office of Governmental and Public Affairs plans, designs, and produces visual information materials, exhibits, art, and graphics materials for the Department and other Governmental agencies.

National Finance Center. This activity in the Office of Finance and Management carries out the Department's fiscal and accounting policies, procedures and regulations; processes the Department's centralized payroll, personnel transactions, and administrative voucher payments; serves as central contact point with commercial vendors on matters relating to payments and payment procedures; serves as central point for the Department in external financial reporting to Treasury and other agencies and provides management reports for all agencies of the Department. The National Finance Center also provides financial and accounting services to a number of other Federal Departments through "cross-servicing" agreements.

Automated Data Processing (ADP) Services. This activity in the Office of Information Resources Management operates Departmental computer centers at Ft. Collins, Colorado; Kansas City, Missouri; and Washington, D.C. to provide ADP services to USDA and other agencies. The Computer Services Unit, servicing Departmental Staff Offices and the Office of the Secretary, is also operated out of the Office of Information Resources Management. Telephone Service Operations coordinates the maintenance and operation of telephone equipment for the Department.

JUSTIFICATION OF INCREASES AND DECREASES

Centralized administrative services enable users to receive high quality services at the lowest possible cost of operation. Operating services in this manner has resulted in a trend toward reduced unit costs for recurring operations in recent years. Anticipation of a continuation of this trend, as well as the most recent estimates of demand for service, serve as the basis for cost estimates for revised FY 1987 cost estimates and initial estimates for FY 1988.

Centralized administrative services are subject to regular oversight consistent with both Administration management initiatives and Departmental productivity improvement activities. This oversight is undertaken to determine whether these activities should continue as centrally managed services and offers Departmental management analyses of alternative operating methods. Enhanced productivity and cost-effectiveness result. The results of such oversight exercised in FY 1986 are reflected in the revised FY 1987 and initial FY 1988 cost estimates provided. As regular oversight is conducted, these estimates may be adjusted significantly, subject to review and approval by Departmental management.

The following is an explanation of program activity changes from FY 1987 to FY 1988 currently anticipated. Where not absorbed by individual activities, cost increases due to contributions to the Federal Employee Retirement Fund are reflected in the changes identified below.

1. A net increase of \$182,000 for recurring operations of Supply and Other Central Services (\$8,974,000 available for FY 1987).

A net increase of \$182,000 in operating costs as follows:

Central Supply Stores	+\$ 75,000
Central Supply Forms	- 82,000
Mail Distribution Service	+ 72,000
Executive Correspondence and Records	+ 31,000
Central Shipping and Receiving	+ 11,000
Central Excess Property Operation	+ 54,000
Central Imprest Fund	+ 6,000
Agriculture Contract Automation System	+ 15,000
Total	<u>+\$182,000</u>

Need for Change. The increased funding levels for Central Supply Stores, Executive Correspondence and Records, and Central Shipping and Receiving are due to increases in operating costs. The reduced funding level in the Central Supply Forms operation is due to lower administrative and management costs. The increase in Mail Distribution Service is due to incorporation of automated mail list activities and a partial offset stemming from management initiatives begun in FY 1987. The increase in Central Excess Property Operation reflects more users and higher demand levels for service. The Central Imprest Fund and Agriculture Contract Automation System are new activities to the Fund in FY 1987. The Central Imprest Fund consolidates eleven agency managed imprest funds into a single Departmental fund to be used for small purchases and cash advances. The Agriculture Contract Automation System provides a data base of procurement language elements which standardizes procurement documents and allows users to prepare documents much faster and more accurately than previous methods would allow.

Nature of Change. General operating and inflation costs account for the increases in Central Supply Stores and Executive Correspondence and Records. Central Supply Forms expects to achieve lower operating costs due to administrative improvements, particularly in the reduction of space and other rental costs. Central Excess Property and Central Shipping and Receiving are expanding their user clientele. The related increase in workload demand accounts for the higher costs to be incurred.

2. A net increase of \$151,000 for recurring operations of Reproduction Services (\$3,540,000 available in FY 1987).

A net increase of \$151,000 in operating costs as follows:

Copier/Duplication Center	+\$151,000
Total	+\$151,000

Need for Change. The cost increase is due to the need to provide specialty, quick-turnaround duplicating services to Departmental users. The Printing Plant, which provided such services in addition to its general printing services, was closed at the end of FY 1986. Increased demand for copier service as a result of the Printing Plant closing also contributes to the increase.

Nature of Change. The increase in Copier/Duplication Center is primarily due to inflation and general operating costs associated with incorporation of some duplicating functions into this activity.

3. A increase of \$139,000 for recurring operation of Video and Film, and Visual Design Services, (\$2,866,000 available in FY 1987).

A net increase of \$139,000 in operating costs as follows:

Video and Film Services	+ \$50,000
Design Services	+ 89,000
Total	+\$139,000

Need for Change. The increases are needed by Video and Film and the Design Center to maintain current quality and volume levels of service in teleconferencing, audiovisual production, and exhibit design and production.

Nature of Change. The increase for the Video and Film Services is primarily for inflation and depreciation charges for equipment. The increase in Design Services is due to inflation cost increases.

4. An increase of \$1,048,000 for recurring operations of the Office of Finance and Management/National Finance Center (NFC) (\$51,661,000 available in FY 1987).

A net increase of \$1,048,000 in operating costs as follows:

National Finance Center/New Orleans	+\$1,048,000
Total	+\$1,048,000

Need for Change. The continuing development of cooperative processing and expansion of cross-servicing initiatives with other Federal Departments for financial and accounting operations require an increase in the level of support for the NFC. The workload increases stemming from these initiatives, while providing greater efficiencies in financial management operations, are the bases for the requested funding increase. The consolidation of many financial operations for the State Department, Smithsonian Institution, General Accounting Office, Office of Personnel Management, and others will be added to services already provided to the Departments of Commerce and Education, and the Merit Systems Protection Board. The increase in service will require support for acquisition of software and equipment so that managers will have adequate access to centralized administrative data.

Nature of Change. In continuing initiatives to provide centralized financial management services to both USDA and non-USDA clients, increased funding support is required to insure the technical and personnel resource capacity to deliver services. Maintaining the

quality of technical support for NFC has required increases in software and equipment purchases, thereby increasing depreciation charges, with some offsetting decreases in ADP rentals. NFC has sought to hold down acquisition costs by purchasing equipment when costs and workload requirements allow. The purchase of equipment, both new and previously leased, will provide the Government with cost savings over and above the requested increase in depreciation costs. Cost increases are directly related to the increasing workload demands on the part of non-USDA clients. Although an increase is requested in this area, there will be savings to the Government overall, since it now costs non-USDA users of the National Finance Center less for the administrative and financial services than when they provided services for themselves. The remainder of the increase reflects inflation and administrative support needs for new program initiatives.

5. An increase of \$1,172,000 for recurring operations of ADP systems (\$49,700,000 available in FY 1987).

A net increase of \$1,172,000 for these activity as follows:

Washington Computer Center	+\$1,832,000
Fort Collins Computer Center	+ 1,334,000
Kansas City Computer	- 2,052,000
Computer Services Unit	+ 7,000
Telephone Service Operations	+ 35,000
Local Area Network	+ 16,000
	<u>+\$1,172,000</u>

Need for Change. Increases at the Washington and Fort Collins Computer Centers are needed to further modernize equipment to provide more efficient service and provide adequate data processing capacity to meet expected demand. The decrease at the Kansas City Computer Center reflects more cost effective acquisition strategies. Increases in Telephone Service Operations and Local Area Network are due to inflation and communication cost increases, respectively. In the Computer Services Unit, the increase is due to expected workload increases.

Nature of Change. The Washington and Fort Collins Computer Center increases are due to higher ADP rental charges, necessary to insure adequate capacity to handle USDA and non-USDA demand. The decrease at the Kansas City Computer Center is due to large cuts in ADP rental charges reflecting acquisition of equipment in prior years.

6. An increase of \$2,548,000 for capital equipment acquisitions (\$14,703,000 available in FY 1987).

A net increase of \$2,548,000 for capital acquisitions in FY 1988 as follows:

This level of equipment acquisition assumes the use of the \$6,000,000 appropriation for additional capitalization of the fund in FY 1988.

- (1) An increase for capital acquisitions for the Office of Finance and Management/National Finance Center of \$4,970,000.

Need for Change. The additional capital equipment is needed to meet the projected workload increase, provide improved reliability, and to allow for the expansion of services to USDA and non-USDA agencies. Depreciation charges for this equipment will be billed to both USDA and non-USDA users on the basis of each user's demand for National Finance Center services.

Nature of Change. This equipment replaces an existing computer which is obsolete. The new system will provide on-line agency access to budgetary data, USDA-wide financial information systems, and other automated systems. The new system offers greater efficiency and offers lower energy consumption and lower repair and maintenance costs.

- (2) A decrease for capital acquisitions for the Office of Information Resources Management of \$2,538,000.

Washington Computer Center	+\$ 97,000
Fort Collins Computer Center	- 1,445,000
Kansas City Computer Center	- 1,390,000
Computer Services Unit	+ 200,000
Total	-\$2,538,000

Need for Change. The decreases at the Fort Collins and Kansas City Computer Centers reflect FY 1986 actual and FY 1987 planned acquisitions. Once the equipment is installed, the need for capital acquisition funds is diminished as the new equipment provides service. The increases at the Washington Computer Center and the Computer Services Unit reflect the need to maintain adequate capacity to service all users of these facilities.

Nature of Change. At the Fort Collins and Kansas City Computer Centers, efforts to upgrade and expand hardware capacity in prior years enables the Centers to reduce capital acquisition needs in FY 1988. At the Washington Computer Center and Computer Services Unit expenditures for hardware support and equipment upgrades will maintain service quality for system users.

- (3) A decrease in capital acquisitions for the Office of Governmental and Public Affairs/Video and Film of \$6,000.

Video and Film	-\$ 6,000
Total	-\$ 6,000

Need for Change. The capital equipment acquired in prior years diminishes the need for new purchases in FY 1988.

Nature of Change. Video broadcasting and studio equipment installed in prior years provides better service to user agencies. The result is a decrease in the number of needed purchases in FY 1988. Purchases in FY 1988 will be used to support production activities.

- (4) An increase in capital acquisitions for the Office of Operations of \$122,000.

Mail Distribution Service	+\$ 9,000
Copier/Duplication Center	+ 77,000
Central Excess Property	+ 11,000
Central Supply Forms	+ 25,000
Total	+\$122,000

Need for Change. The additional capital equipment is needed to provide expanded copier and duplicating services, and to improve and upgrade existing equipment for the Mail Distribution Service, Central Supply Forms, and Central Excess Property Operation.

Nature of Change. The Copier/Duplicating Center will acquire and upgrade high speed copiers to meet further increases in demand resulting from the closing of the USDA Printing Plant. The Central Supply Forms operation plans to acquire equipment to improve forms handling. The Mail Distribution Service acquisitions will improve delivery service and mail processing.

Working Capital Fund

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS1986 and Estimated 1987 and 1988

Geographic Location	1986		1987		1988	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Colorado....	\$ 17,459,000	72	\$ 14,587,000	69	\$ 14,460,000	69
District of Columbia...	26,435,000	220	29,915,000	234	32,699,000	234
Louisiana...	48,520,000	1,150	58,213,000	1,118	64,228,000	1,118
Maryland....	1,979,000	3	2,017,000	3	1,963,000	3
Missouri....	16,626,000	78	26,712,000	80	23,334,000	80
Total Available or Estimate...	\$111,019,000	1,523	\$131,444,000	1,504	\$136,684,000	1,504

RENTAL PAYMENTS AND BUILDING OPERATIONS

Purpose Statement

This annual account finances the appropriated portion of payments to the General Services Administration (GSA) for rental of leased space and related services. Funding is not provided for payments to GSA made by the Forest Service, since the Forest Service is funded in the Interior and Related Agencies Appropriations Act.

On October 1, 1984, GSA delegated authority to USDA to operate, maintain, repair and make minor improvements to the USDA downtown D.C. building complex, which encompasses 14.1 acres of ground and five buildings containing three million square feet of space occupied by over 10,000 employees. On October 1, 1986, GSA expanded the delegation of authority to include two additional buildings. The first is the government-owned warehouse for forms in Lanham, Maryland, and the second is a leased warehouse for the excess property operation located at 49 L St., S.W., Washington, D.C.

As of September 30, 1986, there were 45 full-time employees and 2 temporary employees assigned to this activity.

Rental Payments and Building Operations and Maintenance
Available Funds and Staff-Years

1986 Actual and Estimated 1987 and 1988

Item	1986		1987		1988	
	Actual	Staff	Estimated	Staff	Estimated	Staff
	Amount	Years	Amount	Years	Amount	Years
Rental Payments to GSA.....	\$47,755,006	- -	\$47,755,000	- -	\$56,407,000	- -
Building Operations:	17,081,226	43	18,388,000	57	21,669,000	57
Total,						
Appropriation.....	64,836,232	43	66,143,000	57	78,076,000	57
Obligations under						
other USDA						
Appropriations:						
Overtime utilities:						
and miscellaneous						
services.....	1,089,120	- -	1,029,000	- -	1,029,000	- -
Total, Rental						
Payments and						
Building Operations:						
and Maintenance....	\$65,925,352	43	\$67,172,000	57	\$79,105,000	57
Full-Time Equiv-	1986		1987		1988	
alent Staff-Years:	Actual		Estimated		Estimated	
Ceiling.....	41		57		57	
Non-Ceiling.....	2		- -		- -	
Total	43		57		57	

BUILDING OPERATIONS AND MAINTENANCE
Permanent Positions by Grade and Staff-Year Summary
1986 and Estimated 1987 and 1988

Grade	1986		1987		1988	
	Headquarters/	Total	Headquarters/	Total	Headquarters/	Total
GM-15	1	:	1	:	1	:
14	4	:	4	:	4	:
13	7	:	7	:	7	:
GS-12	3	:	8	:	8	:
11	1	:	2	:	2	:
10	0	:	0	:	0	:
9	1	:	1	:	1	:
8	0	:	0	:	0	:
7	1	:	2	:	2	:
6	1	:	3	:	3	:
5	2	:	4	:	4	:
4	2	:	4	:	4	:
3	1	:	2	:	2	:
Ungraded positions...	17	:	23	:	23	:
Total Permanent Positions	41	:	61	:	61	:
Staff-Years		:		:		:
Ceiling	41	:	57	:	57	:
Non-ceiling	2	:	0	:	0	:
TOTAL	43	:	57	:	57	:

RENTAL PAYMENTS AND BUILDING OPERATIONS AND MAINTENANCE

CLASSIFICATION BY OBJECTS1986 and Estimated 1987 and 1988

	<u>1986</u>	<u>1987</u>	<u>1988</u>
Personnel Compensation:			
Headquarters	\$ 1,354,639	\$1,981,000	\$2,245,000
11 Total personnel compensation	1,354,639	1,981,000	2,245,000
12 Personnel benefits	157,076	370,000	401,000
13 Benefits for former personnel	3,022	3,000	3,000
Total Personnel Comp. and Benefits	<u>1,514,737</u>	<u>2,354,000</u>	<u>2,649,000</u>
Other Objects:			
21 Travel	5,007	4,000	4,000
22 Transportation of things ...	4,540	- -	- -
23.1 Standard Level User Charges.	47,751,006	47,755,000	56,407,000
23.3 Communications, utilities and other rent	3,968,785	5,083,000	5,412,000
24 Printing and reproduction ..	8,998	41,000	43,000
25 Other services	11,099,617	10,614,000	10,006,000
26 Supplies and materials	147,498	75,000	80,000
31 Equipment	134,839	10,000	3,255,000
32 Land and Structures	187,248	207,000	220,000
43 Interest and Penalty	<u>1,002</u>	<u>- -</u>	<u>- -</u>
Total other objects	<u>63,308,540</u>	<u>63,789,000</u>	<u>75,427,000</u>
Total direct obligations	<u>\$64,823,277</u>	<u>\$66,143,000</u>	<u>\$78,076,000</u>

Position Data:

Average Salary, GM/GS positions	\$30,209	\$30,209	\$30,209
Average Grade, GM/GS positions	9.6	9.6	9.6

RENTAL PAYMENTS AND BUILDING OPERATIONS AND MAINTENANCE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rental Payments and Building Operations:

For payment of space rental and related costs pursuant to Public Law 92-313 for programs and activities of the Department of Agriculture which are included in this Act, [\$48,728,000] \$56,407,000: Provided, That in the event an agency within the Department of Agriculture should require modification of space needs, the Secretary of Agriculture may transfer a share of that agency's appropriation made available by this Act to this appropriation, or may transfer a share of this appropriation to that agency's appropriation, but such transfers shall not exceed 10 per centum of the funds made available for space rental and related costs to or from this account.

- For the operation, maintenance, and repair of the Washington, D.C. Agriculture building complex pursuant to the delegation of authority from the Administrator of General Services authorized by 40 U.S.C. 486,
1 [\$18,039,000] \$18,424,000; and in addition, for one-time purchase of systems furniture, \$3,245,000.

This change will permit USDA to acquire systems furniture as part of structural renovation of the Auditors Building.

RENTAL PAYMENTS AND BUILDING OPERATIONS AND MAINTENANCE

Appropriations Act, 1987	\$66,767,000
Budget Estimate, 1988	78,076,000
Increase in Appropriation	<u>+11,309,000</u>

Adjustments in 1987:

Appropriations Act, 1987	\$66,767,000	
Pay Costs and FERS.....	+200,000	a/
Funds transferred to ASCS for lease management.....	<u>-824,000</u>	
Adjusted Base for 1987	66,143,000	
Budget Estimate, 1988	78,076,000	
Increase from adjusted 1987	<u>+11,933,000</u>	

a/ Includes a transfer of \$35,000 for pay increases and \$165,000 for retirement costs.

SUMMARY OF INCREASES AND DECREASES-CURRENT LAW
(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>1987 Estimated</u>	<u>Pay Cost and FERS</u>	<u>Program Changes</u>	<u>1988 Estimated</u>
Rental Payments to GSA.....	\$47,755,000	- -	\$+8,652,000	\$56,407,000
Building Operations and Maintenance.....	18,388,000	\$+36,000	+3,245,000	21,669,000
Total Available.....	<u>66,143,000</u>	<u>+36,000</u> a/	<u>+11,897,000</u>	<u>78,076,000</u>

a/ Includes an increase of \$18,000 for pay increases effective in FY 1987 and \$18,000 for increased costs associated with FERS.

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	: 1986 Actual		: 1987 Estimated		Increase	: 1988 Estimated	
	: Amount	: Staff: : Years	: Amount	: Staff: : Years		: Amount	: Staff: : Years
1. Rental							
Payments....	\$47,755,006	- -	\$47,755,000	- -	+\$8,652,000 (1)	\$56,407,000	- -
2. Building							
Operations & Maintenance..	\$17,068,271	43	\$18,388,000	57	+\$3,281,000 (2)	\$21,669,000	57
Unobligated balance	12,955	- -	- -	- -	- -	- -	- -
Total avail- able estimate:	\$64,836,232	43	\$66,143,000	57	\$11,933,000	\$78,076,000	57
Transfer to:							
SCS	+1,021,860		- -	- -			
FmHA	+900,499		- -	- -			
ASCS	1,021,409		+824,000	- -			
Proposed funds: transfer for :							
pay increase :							
and FERS :							
costs.....	- -	- -	-200,000	- -			
Total							
Appropriation:	67,780,000	43	66,767,000	57			

EXPLANATION OF PROGRAM

This appropriation provides funding for the following activities:

Rental Payments to GSA. The fiscal year 1983 Agriculture Appropriations Act (P.L. 97-370) consolidated most of the Department's rental payments paid to the General Services Administration (GSA) into a single appropriation. This activity does not provide funding to cover space costs incurred in other funding areas such as trust funds, the Working Capital Fund and other non-appropriated funds. The amount in this account represents only the appropriated portion of the total Departmental charges for rent payments paid to the GSA for all agencies and staff offices of the Department except the Forest Service.

Building Operations. On October 1, 1984, GSA delegated the operations and maintenance function for the buildings in the D.C. complex to the Department. This activity provides Departmental staff and support services to operate, maintain and repair the five buildings in the D.C. complex. GSA expanded the delegation to include two additional buildings on October 1, 1986. GSA retains responsibility for major non-recurring repairs.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$8,652,000 for rental payments to GSA.

Need for Change. The increased funds will partially cover the rental payment rate increases as provided by GSA in selected geographic regions applied to the existing inventory of space that agencies of the Department will occupy through September 30, 1988, and net increases in space costs due to reclassification of space to a higher rate.

Nature of Change. The additional funds will partially cover GSA changes to the Department to maintain its current inventory of 6.9 million square feet of space nationwide.

- (2) An increase of \$3,281,000 for building operations and maintenance, composed of the following:

(a) An increase of \$18,000 to annualize 1987 pay costs and to restore pay costs absorbed in 1987 and an increase of \$18,000 to fund increased costs associated with the Federal Employee Retirement System.

(b) An increase of \$3,245,000 for the one-time acquisition of systems furniture.

Need for Change. The Department is requesting additional funds for the acquisition of systems furniture to complete renovation of the Auditors Building. GSA designed the renovation using the systems design concept, and its use is considered an integral part of the structural renovation. This furniture will be permanently housed in the Auditors Building and will not be moved if occupants change.

Nature of Change. The use of systems furniture will allow USDA to consolidate a major agency, the Forest Service, from leased space to Government-owned space and to reduce the space utilization rate to 115 square feet per person, resulting in significant savings to the Government.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS

1986 and Estimated 1987 and 1988

	1986		1987		1988	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Washington, D.C.....	\$64,823,277	43	\$66,143,000	57	78,076,000	57

ADVISORY COMMITTEES

Purpose Statement

The Federal Advisory Committee Act (P.L. 92-463) was passed in 1972 to recognize that committees and similar groups provide a useful and beneficial means of furnishing expert advice to officers of the Federal Government. The Assistant Secretary for Administration is the principal Department Officer responsible for performing functions and coordinating activities of the Act.

The Agriculture, Rural Development and Related Agencies Appropriations Act of 1983 consolidated all USDA advisory committee funds, except those in the Forest Service and those paid from user fees, in a separate appropriation.

ADVISORY COMMITTEES

Available Funds and Staff-Years1986 Actual and Estimated 1987 and 1988

ITEM	1986		1987		1988	
	Actual		Estimated		Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Advisory Committees	\$1,258,000	14	\$1,308,000	14	\$1,308,000	14
Total, Advisory Committees	1,258,000	14	1,308,000	14	1,308,000	14

ADVISORY COMMITTEESCLASSIFICATION BY OBJECTS1986 and Estimated 1987 and 1988

	<u>1986</u>	<u>1987</u>	<u>1988</u>
Personnel Compensation:			
11 Total personnel compensation	\$470,477	\$464,000	\$382,000
12 Total personnel benefits	47,141	48,000	42,000
Total Personnel Comp. & Benefits	<u>517,618</u>	<u>512,000</u>	<u>424,000</u>
Other Objects:			
21 Travel	315,583	648,000	544,000
22 Transportation	4,376	3,000	4,000
23.2 Communication, utilities and other rents	4,888	11,000	13,000
24 Printing and reproduction ...	9,504	27,000	35,000
25 Other services	178,299	92,000	270,000
26 Supplies and materials	6,718	10,000	11,000
31 Equipment	1,731	5,000	7,000
Total other objects	<u>521,099</u>	<u>796,000</u>	<u>884,000</u>
Total direct obligations	<u>\$1,038,717</u>	<u>\$1,308,000</u>	<u>\$1,308,000</u>

Position Data:

Average Salary, GM/GS positions	\$33,606	\$33,143	\$27,286
Average Grade, GM/GS positions	11.07	11.06	10.87

ADVISORY COMMITTEES

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Advisory Committees:

For necessary expenses for activities of Advisory Committees of the Department of Agriculture which are included in this Act, \$1,308,000: Provided, That no other funds in this Act shall be available to the Department of Agriculture for support of activities of Advisory Committees.

ADVISORY COMMITTEES

Appropriation Act, 1987	\$1,308,000
Budget Estimate, 1988	1,308,000
Change in Appropriation	<u> -- </u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1987 Estimated	Program Change	1988 Estimated
USDA Advisory Committees	\$1,308,000	\$ --	\$1,308,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1986 Actual		1987 Estimated		Decrease	1988 Estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
Advisory Committees	\$1,038,717	14	\$1,308,000	14	\$ --	\$1,308,000	14
Unobligated Balance	219,283		--	--	--	--	--
Total, Appropriation..	1,258,000	14	1,308,000	14	--	1,308,000	14

EXPLANATION OF PROGRAM

The appropriation provides for direction and financial support of all authorized Department of Agriculture advisory committee activities other than those in the Forest Service or financed by user fees or other funds.

The Federal Advisory Committee Act (P.L. 92-463) was passed in 1972 to recognize that committees and similar groups provide a useful and beneficial means of furnishing expert advice to officers of the Federal Government. In establishing the Act, Congress declared that committees should be restricted in number to only those essential to provide the necessary expert advice in specialty areas; uniform standards and procedures should govern the establishment, operation, administration and duration of the committees; and Congress should be kept informed of the number and cost of committees.

The FY 1983 Agriculture, Rural Development and Related Agencies Appropriations Act provided a consolidated account for this purpose. Under this consolidated account, 34 committees are currently planned for fiscal year 1988. Eight are established by statute, and the remaining 26 are established by the Department either independently or upon the recommendation of Congress.

Each committee has a charter that is resubmitted every two years, reviewed and approved by USDA's Committee Management Officer and then filed with the staffs of the House and Senate Agriculture Committees.

JUSTIFICATION OF INCREASES AND DECREASES

No increase in the appropriated funds to be spent for USDA advisory committees (\$1,308,000) is requested in fiscal year 1988. Changes in funding requirements for existing committees or new committees will be accomplished within the same level of funds as appropriated for fiscal year 1987. Estimates for the Department's advisory committees by major policy area follow.

RESOURCES FOR USDA ADVISORY COMMITTEES

Policy Area and Committee Title	1986 Actual	1987 Estimate	1988 Estimate
<u>Food and Consumer Services:</u>			
Nat'l. Adv. Council on Child Nutrition.....	\$31,767	\$29,112	32,619 a/
Nat'l. Adv. Council on Maternal, Infant and Fetal Nutrition.....	33,824	27,468	31,453 a/
Joint Nutrition Monitoring Evaluation Comm.	16,398	--	--
Total.....	81,989	56,580	64,072
<u>Science and Education:</u>			
Nat'l. Ag. Res. & Ext'n. Users Adv. Board..	135,241	165,533	210,800
Nat'l. Arboretum Advisory Council	9,226	11,670	12,160
Human Nutrition Board of Scient. Counselors	13,010	18,000	26,779
National Plant Genetic Resources Board.....	18,696	20,319	21,172
Policy Adv. Comm. for S&E Res. Grants Prog.	10,759	15,794	19,600
Animal Health Science Research Adv. Board..	16,773	16,296	19,800
Cooperative Forestry Research Adv. Council.	21,193	25,070	30,700
Tech. Adv. Comm. for S&E Grants Program....	397,822	356,980	-- b/
Committee of Nine.....	29,284	26,324	32,300
Biotechnology Recombinant Adv. Comm.....	--	100,600	114,500
Total.....	652,004	756,586	487,811
<u>Marketing and Inspection Services:</u>			
Grain Standards Act Advisory Committee.....	30,398	40,000	40,000
Nat'l. Adv. Comm. of Meat & Poultry Inspec.	11,483	25,000	25,592
Advisory Committees on:			
Foreign Animal and Poultry Diseases.....	11,559	26,293	31,322
Swine Health Protection.....	9,170	12,964	14,304
Instruments and Standards for Cotton....	5,853	24,693	27,186
Gen. Conf. Comm. of the Nat'l. Poultry Improvement Plan.....	22,483	6,576	7,210
Plant Variety Protection Board.....	6,087	6,154	6,750
Nat'l. Adv. Comm. on Animal Damage Control.	3,670	27,677	30,600
Total.....	100,703	169,357	182,964
<u>International Affairs and Commodity Programs:</u>			
Agricultural Policy Adv. Comm. for Trade...	14,000	12,841	14,000
Technical Adv. Comm for Trade in:			
Cotton.....	13,000	11,923	13,000
Fruits and Vegetables.....	14,000	11,923	13,000
Grain and Feed.....	13,000	12,841	14,000
Livestock and Livestock Products.....	14,000	12,841	14,000
Oilseeds and Oilseed Products.....	13,000	11,923	13,000
Poultry and Eggs.....	13,000	11,923	13,000
Tobacco.....	13,000	11,924	13,000
Dairy Products.....	13,000	11,924	13,000
Agribusiness Promotion Council.....	14,000	12,841	14,000
Ag. Export Enhancement Advisory Group.....	1,465	1,376	1,500
Nat'l. Adv. Panel on Ag. Futures & Options Markets.....	--	26,800	27,600
Total.....	135,465	151,080	163,100
<u>Small Community and Rural Development:</u>			
Nat'l. Adv. Council on Rural Development...	--	78,512	88,450
<u>Economics:</u>			
Nat'l. Ag. Cost of Prod. Standards Rev. Bd.	4,090	27,516	30,500
<u>Departmental Administration:</u>			
Citizen's Adv. Comm. on Equal Employment...	64,466	60,760	70,861
New Requirements and Contingencies.....	--	7,609	220,242 c/
Total, Advisory Committees.....	\$1,038,717	\$1,308,000	\$1,308,000

a/ The Department is recommending legislation that the sections of the Act authorizing this Committee be repealed.

b/ Section 1409 of the Food Security Act of 1985 exempted this committee from the Federal Advisory Committee Act. It will be funded in CSRS in FY 1988.

c/ The Department is reevaluating this reserve based on the requirements of the Food Security Act of 1985. The Congress will be kept informed of any new committees.

DEPARTMENTAL ADMINISTRATION

PASSENGER MOTOR VEHICLES

The 1988 Budget Estimates propose no additional or replacement passenger motor vehicles.

As of November 1, 1986, only one Department-owned automobile was operated in the District of Columbia. This car is used primarily for pickups and deliveries. Five vehicles are rented on an annual basis for use by the Under Secretaries, Assistant Secretaries, and other officials of the Department.

Age and mileage data for passenger motor vehicles on hand as of September 30, 1986, are as follows:

<u>Age-Year Model</u>	<u>Age Data</u>		<u>Mileage Data</u>		
	<u>Number of Vehicles</u>	<u>Percent of Total</u>	<u>Lifetime Mileage (thousands)</u>	<u>Number of Vehicles</u>	<u>Percent of Total</u>
1971 Ford Custom 500	1	100	85-100	1	100

OFFICE OF GOVERNMENTAL AND PUBLIC AFFAIRS

Purpose Statement

The Office of Governmental and Public Affairs was established by consolidation of the Offices of Congressional and Public Affairs, Intergovernmental Affairs and Communications pursuant to Secretary's Memorandum No. 1927, dated October 5, 1977, and the authority contained in 5 U.S.C. 301 and Reorganization Plan No. 2 of 1953 (7 U.S.C. 2201).

Governmental and Public Affairs serves as the central organization to insure consistency and coordination of the Department's public information and external affairs activities, to maintain liaison with the Congress and White House on legislative matters, and to maintain liaison with State and local governments.

The three major programs are:

1. Public Affairs. Provides direction, leadership and balance in the development and delivery of useful information through all media to the public on USDA's research, educational and regulatory activities. It also serves as the focal point for liaison between the Department and the public, including the many associations and companies representing America's food and fiber system, with emphasis on policy education.
2. Congressional Relations. Maintains liaison with the Congress and the White House on legislative matters of concern to the Department and exercises responsibility for the coordination of all Congressional matters except budgetary affairs of the Department.
3. Intergovernmental Affairs. Directs and coordinates all programs involving the implementation of USDA policies and procedures applicable to the Department's intra and intergovernmental relations.

The Office of Governmental and Public Affairs also provides centralized services financed through the Working Capital Fund in the areas of video and film, design and exhibits and printing. The agency is located in Washington, D.C. As of September 30, 1986, there were 149 full-time employees and 6 other than full-time employees.

OFFICE OF GOVERNMENTAL AND PUBLIC AFFAIRS

Available Funds and Staff-Years1986 Actual and Estimated 1987 and 1988

ITEM	1986		1987		1988	
	Actual		Estimated		Estimated	
	Amount	Staff: Years	Amount	Staff: Years	Amount	Staff: Years
Direct Appropriation	\$8,106,344:	136	\$8,399,000:	140	\$8,796,000:	141
Obligations Under other	:	:	:	:	:	:
USDA Appropriations:	:	:	:	:	:	:
Photographic Services....	379,941:	1	--	--	--	--
Consolidated Orders.....	35,280:	--	--	--	--	--
Electronic Dissemination:	:	:	:	:	:	:
of Information.....	205,405:	--	--	--	--	--
Food and Agriculture	:	:	:	:	:	:
Councils.....	31,452:	1	102,000:	1	--	--
Other Miscellaneous	:	:	:	:	:	:
Reimbursements.....	25,487:	--	--	--	--	--
Ag. Journalist	:	:	:	:	:	:
Conferences.....	11,204:	--	6,700:	--	:	:
Admin. Support to	:	:	:	:	:	:
Working Capital Fund....	43,084:	2	47,000:	2	47,000:	2
Total, Reimbursements	731,853:	3	155,700:	3	47,000:	2
Working Capital Fund:	:	:	:	:	:	:
Motion picture,	:	:	:	:	:	:
photography and other	:	:	:	:	:	:
visual information.....	2,743,000:	18	2,866,000:	21	3,005,000:	21
Total, Working Capital	:	:	:	:	:	:
Fund.....	2,743,000:	18	2,866,000:	21	3,005,000:	21
Total, Other USDA	:	:	:	:	:	:
Appropriations.....	3,474,853:	21	3,021,700:	24	3,052,000:	23
Total, Agricultural	:	:	:	:	:	:
Appropriations.....	11,581,197:	157	11,420,700:	164	11,848,000:	164
Non-Federal Funds:	:	:	:	:	:	:
Sale of Photos & Slides	11,803:	--	9,000:	--	9,000:	--
Total, Office of Govern-	:	:	:	:	:	:
mental and Public	:	:	:	:	:	:
Affairs	11,593,000:	157	11,429,700:	164	11,857,000:	164
Full-time Equivalent	1986		1987		1988	
Staff-Years:	Actual		Estimate		Estimate	
Ceiling.....	156		160		160	
Non-ceiling.....	1		4		4	
Total.....	157		164		164	

OFFICE OF GOVERNMENTAL AND PUBLIC AFFAIRS

Permanent Positions by Grade and Staff-Year Summary
1986 and Estimated 1987 and 1988

Grade	1986	1987	1988
	Headquarters/Total	Headquarters/Total	Headquarters/Total
ES-4	1	2	2
ES-3	2	2	2
ES-2	1	--	1
ES-1	1	2	1
GS/GM-15	11	12	12
GS/GM-14	27	30	30
GS/GM-13	20	18	19
GS-12	17	16	15
GS-11	6	7	7
GS-10	--	--	--
GS-9	8	8	8
GS-8	7	5	5
GS-7	23	23	23
GS-6	12	13	14
GS-5	3	3	3
GS-4	2	4	4
Gs-3	2	2	1
Ungraded Positions ..	8	8	8
Total, Permanent Positions	151	155	155
Staff-Years:			
Ceiling	156	160	160
Non-Ceiling	1	4	4
TOTAL	157	164	164

OFFICE OF GOVERNMENTAL AND PUBLIC AFFAIRSCLASSIFICATION BY OBJECTS1986 and Estimated 1987 and 1988

	<u>1986</u>	<u>1987</u>	<u>1988</u>
Personnel Compensation:			
11 Total personnel compensation	4,870,946	5,217,000	5,580,000
12 Total personnel benefits	523,449	696,000	1,035,000
13 Benefits for former personnel.....	<u>3,950</u>	<u>4,000</u>	<u>5,000</u>
Total Personnel Compensation and Benefits	<u>5,398,345</u>	<u>5,917,000</u>	<u>6,620,000</u>

Other Objects:

21 Travel	72,767	141,000	95,000
22 Transportation of things.....	12,470	14,000	15,000
23.1 Rental payments to GSA.....	31,000	--	--
23.3 Communication, utilities and other rents	462,099	514,000	450,000
24 Printing and reproduction ...	724,629	826,000	750,000
25 Other Services	800,861	777,000	721,000
26 Supplies and materials	110,564	109,000	75,000
31 Equipment	<u>104,653</u>	<u>101,000</u>	<u>70,000</u>
Total other objects	<u>2,319,043</u>	<u>2,482,000</u>	<u>2,176,000</u>
Total direct obligations	<u>\$7,717,388</u>	<u>\$8,399,000</u>	<u>\$8,796,000</u>

Position Data:

Average Salary, ES positions	\$65,276	\$66,909	\$68,076
Average Salary, GM/GS positions	\$28,791	\$31,312	\$33,500
Average Grade, GM/GS positions	10.67	10.85	11.04

OFFICE OF GOVERNMENTAL AND PUBLIC AFFAIRS

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Office of Governmental and Public Affairs

For necessary expenses to carry on services relating to the coordination of programs involving public affairs, and for the dissemination of agricultural information and the coordination of information, work and programs authorized by Congress in the Department, [\$7,293,000] \$7,799,000, of which not to exceed \$10,000 shall be available for employment under 5 U.S.C. 3109, and not to exceed \$2,000,000 may be used for farmers' bulletins and not fewer than two hundred thirty-two thousand two hundred and fifty copies for the use of the Senate and House of Representatives of part 2 of the annual report of the Secretary (known as the Yearbook of Agriculture) as authorized by 44 U.S.C. 1301: Provided, that in the preparation of motion pictures or exhibits by the Department, this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225).

For necessary expenses for liaison with the Congress on legislative matters, [\$465,000] \$516,000.

For necessary expenses for programs involving intergovernmental affairs, and liaison within the executive branch, [\$440,000] \$481,000.

OFFICE OF GOVERNMENTAL AND PUBLIC AFFAIRS

Appropriations Act, 1987	\$8,198,000
Budget Estimate, 1988	8,796,000
Increase in Appropriation	<u>+598,000</u>

Adjustments in 1987:

Appropriations Act, 1987	\$8,198,000	
Transfer to Departmental Administration	-49,000	a/
Pay costs and FERS	<u>+250,000</u>	b/
Adjusted base for 1987		8,399,000
Budget Estimate, 1988		8,796,000
Increase from adjusted 1987		<u>+397,000</u>

a/ A transfer of \$49,000 to Departmental Administration for activities previously handled on a reimbursable basis as a direct appropriation in FY 1988.

b/ Includes an increase of \$124,000 for pay increases and \$126,000 for retirement costs.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1987 Estimated	Pay Cost and FERS	Program Change	1988 Estimated
Public Affairs	\$7,456,000	\$299,000	\$44,000	\$7,799,000
Congressional Relations	485,000	+28,000	+3,000	516,000
Intergovernmental Affairs	458,000	+21,000	+2,000	481,000
Total Available	<u>8,399,000</u>	<u>+348,000</u>	<u>a/ +49,000</u>	<u>8,796,000</u>

a/ Includes an increase of \$52,000 for pay increases effective in FY 1987 and \$296,000 for increased costs associated with FERS.

PROJECT STATEMENT
(On basis of adjusted appropriation)

	1986 Actual	1987 Estimated	Increase	1988 Estimated
	Amount	Amount	or	Amount
Project	Staff	Staff	Decrease	Staff
	Years	Years		Years
Public Affairs.....	\$6,821,451: 118	\$7,456,000: 122	+\$343,000	\$7,799,000: 122
Congressional Relations...	461,639: 12	485,000: 12	+31,000	516,000: 12
Intergovernmental Affairs.....	434,298: 6	458,000: 6	+23,000	481,000: 7
Unobligated balance.....	388,956: -	-: -	-	-: -
Total available or estimate....	8,106,344: 136	8,399,000: 140	+397,000(1)	8,796,000: 141
Activities				
Shifted to				
Appropriated:	-812,344:			
Transfer to				
Departmental:				
Administra-				
tion.....	+49,000: -	+49,000:		
Proposed fund:				
transfer for:				
pay increase:				
costs and				
FERS.....	-: -	-250,000:		
Total, Approp-				
riation.....	7,343,000: -	8,198,000:		

EXPLANATION OF PROGRAM

This appropriation for the Office of Governmental and Public Affairs funds the activities established by consolidation of the offices of Congressional and Public Affairs, Intergovernmental Affairs and Communications pursuant to Secretary's Memorandum No. 1927, dated October 5, 1977, and the authority contained in 5 U.S.C. 301 and Reorganization Plan No. 2 of 1953 (7 U.S.C. 2201). The activities carried out are as follows:

-- Public Affairs - This activity provides direction, leadership and balance in the development and delivery of useful information through all media to the public on USDA programs.

-- Congressional Relations - Maintains liaison with the Congress and the White House on legislative matters of concern to the Department and exercises responsibility for the coordination of all Congressional matters except Congressional appropriations.

-- Intergovernmental Affairs - Directs and coordinates programs involving the implementation of USDA policies and procedures applicable to the Department's intergovernmental affairs and relations with other Departments.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of \$397,000, consisted of:

- (a) An increase of \$52,000 for annualization of pay that was absorbed in fiscal year 1987 that is necessary to carryout the programs in fiscal year 1988.
- (b) An increase of \$296,000 associated with FERS that is necessary to carryout the programs in fiscal year 1988.
- (c) An increase of \$49,000 for increased operating costs.
This increase will provide for continuing the current level of activities.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1986 and Estimated 1987 and 1988

	1986		1987		1988	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>
Washington, D.C.	\$7,717,388	136	\$8,399,000	140	\$8,796,000	141

OFFICE OF THE INSPECTOR GENERAL

Purpose Statement

Pursuant to the Inspector General Act of 1978, the Office of the Inspector General:

- (1) provides policy direction and conducts, supervises and coordinates all audits and investigations;
- (2) reviews existing and proposed legislation and regulations and makes recommendations to the Secretary and Congress regarding the impact such initiatives will have on the economy and efficiency of the Department's programs and operations, and the prevention and detection of fraud and abuse in such programs;
- (3) recommends policies for and conducts, supervises or coordinates other activities in the Department whose purposes are to promote economy and efficiency or prevent and detect fraud and abuse;
- (4) recommends policies for and conducts, supervises or coordinates relationships between the Department and other Federal, State and local government agencies concerning: (a) promoting economy and efficiency; (b) preventing and detecting fraud and abuse; and (c) identifying and prosecuting people involved in fraud or abuse; and
- (5) keeps the Secretary and the Congress fully and currently informed about fraud, other serious problems, abuses and deficiencies in Department programs and operations, recommends corrective action, and reports on the progress made in correcting the problem.

The Office of the Inspector General is headquartered in Washington, D.C., and has regional offices in the following cities: New York, New York; Hyattsville, Maryland; Atlanta, Georgia; Chicago, Illinois; Temple, Texas; Kansas City, Missouri; and San Francisco, California. As of September 30, 1986, total employment was 803 including 792 full-time and 11 other employees. There were 202 employees located in Headquarters and 601 located in the field.

OFFICE OF THE INSPECTOR GENERAL

Available Funds and Staff-Years1986 Actual and Estimated, 1987 and 1988

Item	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Office of the Inspector General	\$44,482,000	844	\$45,868,000	880	\$50,418,000	910
Obligations under other						
USDA appropriations:						
FNS contracts	890,000	--	--	--	--	--
AMS contracts	11,600	--	--	--	--	--
Total, other USDA						
Appropriations .	901,600	--	--	--	--	
Total, Agriculture						
Appropriations	45,383,600	844	45,868,000	880	50,418,000	910
TOTAL, OIG	45,383,600	844	45,868,000	880	50,418,000	910

Full-time Equivalent Staff-Years:	1986 <u>Actual</u>	1987 <u>Estimated</u>	1988 <u>Estimated</u>
Ceiling	820	850	880
Non-ceiling	24	30	30
Total	<u>844</u>	<u>880</u>	<u>910</u>

OFFICE OF THE INSPECTOR GENERAL
Permanent Positions by Grade and Staff-Year Summary
FY 1986 and Estimated FY 1987 and 1988

Grade	1986		1987		1988	
	Headquarters:	Field : Total	Headquarters:	Field : Total	Headquarters:	Field : Total
Executive Level IV	1	1	1	--	1	--
ES-4	3	3	4	--	4	--
ES-3	1	1	1	--	1	--
ES-2	1	1	1	--	1	--
ES-1	1	1	1	--	1	--
GS/GM 15	13	25	13	12	13	12
GS/GM 14	28	47	28	19	28	21
GS/GM 13	47	134	44	89	44	89
GS-12	25	250	37	241	37	246
GS-11	10	65	10	55	10	60
GS-9	11	67	11	62	11	62
GS-8	6	6	6	--	6	--
GS-7	22	80	18	76	18	76
GS-6	9	27	9	20	8	20
GS-5	9	36	11	22	15	29
GS-4	10	44	7	28	7	34
GS-3	3	4	3	1	3	3
Total Permanent Positions	200	792	205	625	208	652
				830		860
Staff-Years:						
Ceiling	149	820	200	650	208	672
Non-ceiling	2	24	2	28	2	28
Total	151	844	202	678	210	700
				880		910

CLASSIFICATION BY OBJECTS1986 and Estimated 1987 and 1988

Personnel Compensation:	<u>1986</u>	<u>1987</u>	<u>1988</u>
Headquarters	\$7,807,203	\$8,173,000	\$8,452,000
Field	<u>20,256,143</u>	<u>20,871,000</u>	<u>21,626,000</u>
11 Total Personnel Compensation	28,063,346	29,044,000	30,078,000
12 Personnel Benefits	3,830,318	4,643,000	6,755,000
13 Former Personnel	<u>60,787</u>	<u>44,000</u>	<u>44,000</u>
Total Personnel Compensation			
Benefits	31,954,451	33,731,000	36,877,000
Other Objects:			
21 Travel	4,202,694	5,000,000	5,400,000
22 Transportation of Things	104,469	197,000	243,000
23.2 Rental payments to others ...	74,874	80,000	80,000
23.3 Communications, utilities			
and misc. charges	1,825,425	1,929,000	2,324,000
24 Printing and reproduction ...	58,547	108,000	158,000
25 Other services	3,377,522	3,418,000	3,716,000
26 Supplies and materials	505,123	535,000	650,000
31 Equipment	802,365	870,000	970,000
43 Interest & Dividends	<u>689</u>	<u>--</u>	<u>--</u>
Total other objects	<u>10,951,708</u>	<u>12,137,000</u>	<u>13,541,000</u>
Total direct obligations	<u>42,906,159</u>	<u>45,868,000</u>	<u>50,418,000</u>
Position Data:			
Average Salary, ES positions	\$67,098	\$67,300	\$67,300
Average Salary, GM/GS positions ...	\$33,063	\$33,452	\$33,452
Average Grade, GM/GS positions	10.69	10.55	10.45

OFFICE OF THE INSPECTOR GENERAL

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Office of the Inspector General

For necessary expenses of the Office of the Inspector General, including employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), [~~\$44,461,000~~]\$50,418,000, including such sums as may be necessary for contracting and other arrangements with public agencies and private persons pursuant to section 6(a)(8) of the Inspector General Act of 1978 (Public Law 95-452), and including a sum not to exceed \$50,000 for employment under 5 U.S.C. 3109; and including a sum not to exceed \$75,000 for certain confidential operational expenses including the payment of informants, to be expended under the direction of the Inspector General pursuant to Public Law 95-452 and Section 1337 Public Law 97-98.

OFFICE OF THE INSPECTOR GENERAL

Appropriation Act, 1987	\$44,461,000
Budget Estimate, 1988	<u>50,418,000</u>
Increase in Appropriation	<u>+5,957,000</u>

Adjustments in 1987:

Appropriation Act, 1987	\$44,461,000	
Pay Costs and FERS	+1,421,000	a/
Transfer to Departmental Administration.....	<u>-14,000</u>	b/
Adjusted Base for 1987	45,868,000	
Budget estimate 1988	<u>50,418,000</u>	
Increase over adjusted 1987	<u>+4,550,000</u>	

a/ Includes an increase of \$799,000 for pay increases and \$622,000 for FERS.

b/ A transfer of \$10,000 to Office of Personnel and \$4,000 to OSEC ADP Service Center in 1988 to fund activities previously financed on a reimbursable basis.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1987 Estimated	Pay Cost and FERS	Program Changes	1988 Estimated
Audit and Investigations	\$45,868,000	\$1,997,000 ^{a/}	+\$2,553,000	\$50,418,000

a/ Includes an increase of \$266,000 for pay increases effective in FY 1987 and \$1,731,000 for increased costs associated with FERS.

PROJECT STATEMENT
(on basis of adjusted appropriation)

Project	1986		1987 Estimated		Increase	1988 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Audit and Investigations	\$42,906,159	844	\$45,868,000	880	+\$4,550,000	\$50,418,000	910
Unobligated	1,589,841	--	--	--	--	--	--
Total available or estimate	44,482,000	844	45,868,000	880	+4,550,000	50,418,000	910
Transfer from other accounts for increased pay costs	--	--	-799,000				
Transfer from other accounts for increase in Federal Employee Retirement System	--	--	-622,000				
Transfer to OP and OSEC	+14,000	--	+14,000				
Total Appropriation	44,496,000	844	44,461,000				

EXPLANATION OF PROGRAM

This appropriation funds the activities authorized by the Inspector General Act of 1978 (Public Law 95-452) enacted October 12, 1978. This Act expanded and provided specific authorities for the activities of the Office of the Inspector General which had previously been carried out under the general authorities of the Secretary of Agriculture. The Inspector General:

- conducts and supervises audits and investigations relating to programs and operations of the Department of Agriculture;
- provides leadership and coordination and recommends policies for activities designed (a) to promote economy, efficiency, and effectiveness, and (b) to prevent and detect fraud and abuse in programs and operations of the Department; and
- keeps the Secretary and the Congress fully informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective action.

Pursuant to the Agriculture and Food Act of 1981, the Inspector General has authority to designate special agents to carry firearms while engaged in official duties under the Inspector General Act of 1978 such as: making arrests; executing warrants for arrests; searching of premises; and seizure of evidence while conducting investigations of suspected or alleged felony criminal violations involving USDA programs.

The following table shows the audits and investigations and the staff-years planned for each area for fiscal year 1987.

<u>Area</u>	<u>Audits/ Cases</u>	<u>Staff-Years of Effort</u>
Audits	638	510
Investigations	<u>1,118</u>	<u>340</u>
Total	<u>1,756</u>	<u>850</u>

GAO Reports

AFMD-86-20	12/85	CPA Audit Quality: Inspectors General Find Significant Problems
AFMD-86-33	3/86	CPA Audit Quality: Many Governmental Audits Do Not Comply With Professional Standards
AFMD-86-41	9/86	Inspectors General: Compliance with Professional Standards by the Agriculture Inspector General

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A net increase of \$4,550,000 consisting of:
- (a) An increase of \$266,000 for annualization of pay that was absorbed in fiscal year 1987 that is necessary to carryout the programs in fiscal year 1988.
 - (b) An increase of \$1,731,000 associated with FERS that is necessary to carryout the programs in fiscal year 1988.
 - (c) An increase of \$427,000 for increased operating costs. This increase will provide for continuing the current level of audit and investigative activity.

(d) An increase of \$1,380,000 for additional staffing.

Need for Change. This increase in staff will enable OIG to better carry out our responsibilities for the detection and prevention of fraud, waste, and abuse in the programs of the Department via our audit and investigation resources.

The Food Security Act of 1985 created new programs or made significant modifications to the Department's complex programs which increased the workload of the auditors and investigators.

Nature of Change. USDA's many diversified programs cost the taxpayer about \$58 billion a year to provide assistance to farmers, plentiful food supplies to consumers, and assistance to the needy. OIG is responsible for monitoring and reporting to USDA management, OMB, and the Congress on the implementation and operation of these many varied and complex programs.

Following are some of the farm programs which will significantly increase the audit and investigative workload as a result of the Act:

- price support programs for designated commodities;
- production adjustment programs to control commodity over supplies;
- a new program to retire highly erodible cropland from production for 10 years;
- a dairy termination program;
- requirements for new regulations to aid farm borrowers with financial problems; and
- new initiatives to make U.S. agricultural products more competitive in the world market.

The proposed increase in staff will restore OIG to its FY 1985-86 level.

(e) An increase of \$746,000 for increases in travel and relocation moves.

Need for Change. Travel is a primary function of the audit and investigation activities. Travel allowances were recently increased under Public Law 99-234. This law removed the statutory ceiling on per diem and subsistence reimbursements for domestic travel, as a result GSA has established increased allowances for these. New per diem rates range up to \$126 a day -- effective July 1, 1986. The previous maximum was \$75 per day.

A new Relocation Services Program for sale of an employee's real estate was implemented in May 1986 based on new legislation. Under this new program companies under contract to the Government now will purchase an employee's residence and the agency will pay the cost. Also, under this legislation the agency is now responsible for reimbursing the employee the income tax costs associated with a government move.

Nature of Change. OIG has about 600 auditors and investigators who are in travel status about 75% of their time. We are requesting a small increase of about 7% in the total travel budget to offset these per diem and subsistence increases.

OIG is committed to cross-training our auditors and investigators in the programs of the Department and to providing Headquarters management experience to ensure the best trained staff. As a result the agency moves about 60 employees each year. The cost of a move with the new Relocation Service and Income Tax Allowance is now up to \$60,000 versus earlier costs usually not exceeding \$30,000.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS

1986 and Estimated 1987 and 1988

<u>Locations</u>	<u>FY 1986</u>		<u>FY 1987</u>		<u>FY 1988</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>
California	\$3,926,139	93	\$4,221,000	106	\$4,640,000	109
District of Columbia.....	10,691,371	149	11,411,000	158	12,554,000	166
Georgia	6,314,371	129	6,745,000	126	7,413,000	129
Illinois	5,219,700	98	5,598,000	104	6,153,000	107
Maryland	3,535,653	88	3,762,000	87	4,136,000	90
Missouri	6,073,593	125	6,515,000	141	7,152,000	145
New York	2,669,028	64	2,845,000	68	3,127,000	71
Texas	4,476,254	98	4,771,000	90	5,243,000	93
Total Available or Estimate	<u>42,906,159</u>	<u>844</u>	<u>45,868,000</u>	<u>880</u>	<u>50,418,000</u>	<u>910</u>

OFFICE OF THE GENERAL COUNSEL

Purpose Statement

The Office of the General Counsel, prior to 1955 known as the Office of the Solicitor, was established in 1910 (70 Stat. 742) as the law office of the Department of Agriculture.

The Office provides all essential and necessary legal advice and services for the Department's ongoing programs. The headquarters legal staff is divided into four sections: (1) Regulatory and Marketing; (2) International Affairs, Commodity Programs and Food Assistance Programs; (3) Community Development and Natural Resources; and (4) Legislation, Litigation, Research and Operations.

Geographic Location. The work of this office is carried out in Washington, D.C., and at twenty-two field offices at the following locations:

Albuquerque, New Mexico	Little Rock, Arkansas
Atlanta, Georgia	Milwaukee, Wisconsin
Chicago, Illinois	Missoula, Montana
Columbus, Ohio	Montgomery, Alabama
Denver, Colorado	Ogden, Utah
Harrisburg, Pennsylvania	Portland, Oregon
Hato Rey, Puerto Rico	Raleigh, North Carolina
Jackson, Mississippi	Richmond, Virginia
Juneau, Alaska	San Francisco, California
Kansas City, Missouri	Stillwater, Oklahoma
Lincoln, Nebraska	Temple, Texas

As of September 30, 1986, the office had 335 employees of which 321 were permanent full-time employees and 14 were other employees. There were 154 permanent full-time employees and 5 other employees located in Washington, D.C., and 167 permanent full-time employees and 9 other employees in the field.

OFFICE OF THE GENERAL COUNSEL

Available Funds and Staff-Years1986 Actual and Estimated, 1987 and 1988

Item	1986		1987		1988	
	Actual		Estimated		Estimated	
	Amount	Staff: Years	Amount	Staff: Years	Amount	Staff: Years
Office of the General Counsel	\$16,852,248	348	\$17,745,000	365	\$19,903,000	388
Obligations under other						
USDA appropriations:						
APHIS-Animal Damage Control Program	--	--	32,357	1	--	--
Total, Other USDA Appropriations ...	--	--	32,357	1	--	--
Total, Agriculture Appropriations	16,852,248	348	17,777,357	366	19,903,000	388
Total, Office of the General Counsel	16,852,248	348	17,777,357	366	19,903,000	388

Full-time Equivalent Staff-Years:	1986 Actual	1987 Estimated	1988 Estimated
Ceiling	347	363	385
Non-Ceiling	1	3	3
Total	348	366	388

OFFICE OF THE GENERAL COUNSEL

Permanent Positions by Grade and Staff-Year Summary
1986 and Estimated 1987 and 1988

Grade	1986			1987			1988		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
Executive Level IV :	1	--	1	1	--	1	1	--	1
ES-6	1	--	1	1	--	1	1	--	1
ES-5	2	--	2	2	--	2	2	--	2
ES-4	3	--	3	3	--	3	3	--	3
ES-3	5	--	5	5	--	5	5	--	5
ES-2	--	--	--	2	--	2	2	--	2
ES-1	1	--	1	1	--	1	1	--	1
GS/GM-15	18	10	28	20	10	30	20	10	30
GS/GM-14	56	57	113	56	57	113	57	58	115
GS-13	13	19	32	13	19	32	15	21	36
GS-12	15	10	25	17	11	28	21	15	36
GS-11	10	2	12	18	10	28	20	13	33
GS-9	2	4	6	3	5	8	3	5	8
GS-8	6	1	7	6	1	7	6	1	7
GS-7	17	20	37	19	21	40	19	21	40
GS-6	7	21	28	7	21	28	8	22	30
GS-5	5	21	26	5	21	26	5	21	26
GS-4	5	10	15	5	10	15	6	11	17
GS-3	--	--	--	--	4	4	--	4	4
Total Permanent Positions	167	175	342	184	190	374	195	202	397
Staff-Years Ceiling	169	178	347	179	184	363	190	195	385
Non-Ceiling	--	1	1	1	2	3	1	2	3
TOTAL	169	179	348	180	186	366	191	197	388

OFFICE OF THE GENERAL COUNSEL

CLASSIFICATION BY OBJECTS1986 and Estimated 1987 and 1988

	<u>1986</u>	<u>1987</u>	<u>1988</u>
Personnel Compensation:			
Headquarters	\$7,206,083	\$7,523,410	\$8,113,000
Field	<u>6,107,993</u>	<u>6,377,825</u>	<u>6,877,000</u>
11 Total Personnel Compensation	13,314,076	13,901,235	14,990,000
12 Personnel Benefits	1,558,383	1,800,122	2,696,000
13 Benefits for former personnel	2,566	5,000	5,000
Total Pers. Comp. & Benefits	<u>14,875,025</u>	<u>15,706,357</u>	<u>17,691,000</u>
Other Objects:			
21 Travel	204,186	210,000	250,000
22 Transportation of things	4,261	5,000	30,000
23.2 Communications, utilities and other rent	867,467	900,000	940,000
24 Printing and reproduction ...	25,143	28,000	32,000
25 Other services	403,961	405,000	410,000
26 Supplies and materials	402,024	423,000	450,000
31 Equipment	17,749	100,000	100,000
43 Interest Penalty	<u>733</u>	<u>- -</u>	<u>- -</u>
Total Other Objects	<u>1,925,524</u>	<u>2,071,000</u>	<u>2,212,000</u>
Total Direct Obligations	<u>16,800,549</u>	<u>17,777,357</u>	<u>19,903,000</u>

Position Data:

Average Salary, ES positions	\$67,804	\$69,244	\$69,244
Average Salary, GM/GS positions	\$35,009	\$35,312	\$35,033
Average Grade, GM/GS positions	10.87	10.78	10.79

OFFICE OF THE GENERAL COUNSEL

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in bracket):

Office of the General Counsel:

For necessary expenses of the Office of the General Counsel, [\$17,131,000]
\$19,903,000.

OFFICE OF THE GENERAL COUNSEL

Appropriation Act, 1987	\$17,131,000
Budget Estimate, 1988	19,903,000
Increase in Appropriation	<u>+2,772,000</u>

Adjustments in 1987:

Appropriation Act, 1987	\$17,131,000	
Transfers for pay cost and FERS	+614,000	a/
Adjusted base for 1987	17,745,000	
Budget estimate, 1988	19,903,000	
Increase over adjusted 1987	<u>+2,158,000</u>	

a/ Includes an increase of \$375,000 for pay increases and \$239,000 for retirement costs.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>1987 Estimated</u>	<u>Pay Cost and FERS</u>	<u>Program Change</u>	<u>1988 Estimated</u>
Legal Services	<u>\$17,745,000</u>	<u>+\$989,000</u>	<u>+\$1,169,000</u>	<u>\$19,903,000</u>

a/ Includes an increase of \$215,000 for pay increases effective in FY 1987 and \$774,000 for increased retirement costs.

PROJECT STATEMENT
(On basis of adjusted appropriation)

	: 1986 Actual :		: 1987 Estimated :			: 1988 Estimated :	
	: Staff:		: Staff:			: Staff:	
Project	: Amount	: Years:	: Amount	: Years:	Increase	: Amount	: Years
Legal Services	\$16,800,549	348	\$17,745,000	365	+\$2,158,000(1)	\$19,903,000	388
Unobligated	:	:	:	:	:	:	:
balance	51,699	- -	- -	- -	- -	- -	- -
Total available	:	:	:	:	:	:	:
or estimate ...	16,852,248	348	17,745,000	365	+2,158,000	19,903,000	388
Farmers Home	:	:	:	:	:	:	:
Administration	-1,458,848	-33	- -	- -	:	:	:
Federal Crop	:	:	:	:	:	:	:
Insurance Corp.	-126,000	-2	- -	- -	:	:	:
Forest Service	-72,400	-4	- -	- -	:	:	:
Subtotal,	:	:	:	:	:	:	:
Reimbursable...	-1,757,248	-39	- -	- -	:	:	:
Transfers for	:	:	:	:	:	:	:
pay cost and	:	:	:	:	:	:	:
FERS.....	- -	- -	-614,000	- -	:	:	:
Total appropri-	:	:	:	:	:	:	:
ation	15,095,000	309	17,131,000	365	:	:	:

EXPLANATION OF PROGRAM

The General Counsel is the chief law officer of the Department and is responsible for providing legal services for all programs, operations, and activities of the Department. The General Counsel is assisted by a Deputy General Counsel and four Associate General Counsels, each of whom is responsible for a portion of the legal work of the Department. The functions of this Office are performed in the Washington office and in 22 field offices. The Law Library was transferred from the National Agricultural Library in 1982.

The field offices handle legal work relating to the activities of the Agricultural Stabilization and Conservation Service, Commodity Credit Corporation, Farmers Home Administration, Federal Crop Insurance Corporation, Forest Service, Soil Conservation Service, and the Food and Nutrition Service. By delegation of the General Counsel, legal work relating to other programs and activities of the Department may be handled by a field office.

Legal Advice. The Office of the General Counsel issues both formal and informal opinions on legal questions arising in the administration of the Department's programs; prepares or reviews administrative rules and regulations applicable to the public; drafts proposed legislation; prepares or interprets contracts, mortgages, leases, deeds, and similar documents; prepares patent applications arising out of inventions by Department employees; and considers and determines claims by and against the United States arising out of the Department's activities.

Administrative Proceedings. The Department is represented by the General Counsel in administrative proceedings for the promulgation of rules having the force and effect of law and in quasi-judicial hearings held in connection with the administration of various USDA programs.

Civil Litigation. Civil litigation arising out of the Department's work is handled by the Department of Justice, with the Office of the General Counsel assisting in the preparation and trial of such cases. The General Counsel represents the Secretary in administrative proceedings before the Interstate Commerce Commission involving freight rates on farm commodities and in appeals from the decisions of the Commission to the courts. By delegation, the Associate General Counsel for Legislation, Litigation, Research and Operations represents the Department in certain classes of cases before the United States Courts of Appeals.

Criminal Litigation. Criminal cases are reviewed for the purpose of referring them to the Department of Justice.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of \$2,158,000 for legal services consisting of:

(a) An increase of \$1,103,000 to fund 23 additional staff years.

Need for Change. The fiscal year 1988 budget would allow the Office of the General Counsel to fully fund 385 staff years. This is considered the minimal staffing level necessary to meet the Department's legal needs and the level authorized since 1984. Despite this authorization, affordable staff years dropped from 377 in fiscal year 1984 to 347 in fiscal year 1986 leaving staff shortages in many key areas. Although the fiscal year 1987 budget restores 16 staff-years, the workload will increase dramatically over the next two years as discussed below.

The Food Security Act of 1985 provided for a number of new or expanded programs to increase U.S. agricultural commodity exports. These include the financing of sales of agricultural commodities for foreign currencies which are then loaned for the expansion, promotion and improvement of food production in the foreign country; donation or financing of sales of agricultural commodities to developing countries that promote free enterprise in their agricultural sector; targeted export assistance and export enhancement programs; sales and donations of red meat and sales of dairy products. While the changes require many new or revised regulations, announcements, contracts, claims, and litigation, the number of attorneys available to handle this work has decreased by 20 percent.

The Farmers Home Administration is expected to refer approximately 24,000 additional cases to this office in the coming months, increasing the already large case backlog from 37,000 cases currently to 61,000 cases in 1988. The current backlog represents \$5.9 billion in debt owed to the U.S. Government.

Pursuant to the National Forest Management Act of 1976, the Forest Service has issued 56 Land Management Plans that have resulted in 306 administrative appeals. It is expected that the 67 plans to be completed this year will represent the most highly contested plans -- those in the Pacific Northwest -- increasing the number of appeals by approximately 400.

Although the case load has increased substantially under the Federal Tort Claims Act, there is no staff to devote to administrative review of claims. Attorneys are reduced to addressing these serious Federal liability cases only where lawsuits are filed. In addition, the five attorney staff devoted to review USDA procurement contracts Department-wide has been reduced by half. The five attorney appellate litigation staff is operating at 60 percent of its required strength.

Increased emphasis on program accountability in the Department's domestic food assistance programs will result in further increases in associated legal services. Currently, there is extensive litigation arising out of quality control sanctions against some states for Food Stamp Program mismanagement in fiscal years 1981 and 1982. Significant additional legal workload is related to sanctions against states announced for fiscal years 1984, 1985 and 1986 and anticipated in 1987 and 1988. Staff available to provide legal services for these purposes is presently at only 66 percent of the required level.

In addition, new programs, legislation and amendments to existing statutes have increased work requirements in several other areas, such as the Animal Damage Control program, the Processed Food Inspection Improvement Act of 1986, regulation of biotechnology, the Grain Quality Improvement Act of 1986, and the many changes associated with the Food Security Act of 1985.

The Office of the General Counsel cannot continue to provide timely and effective legal support for the Department without the additional personnel.

Nature of Change. The entire increase will be used to support the 23 staff years in headquarters and the field. At this staffing level, OGC could begin to reduce its heavy case backlog and provide adequate and timely legal services for all agencies of the Department.

- (b) An increase of \$215,000 for annualization of pay that was effective in fiscal year 1987 and an increase of \$774,000 to fund increased costs associated with the Federal Employees Retirement System.
- (c) An increase of \$66,000 for increased operating costs. This increase will provide for continuing the current services level in the Office of the General Counsel.

Office of the General Counsel
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1986 and Estimated 1987 and 1988

	<u>1986</u>		<u>1987</u>		<u>1988</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>
Alabama.....	\$151,469	4	\$160,000	4	\$221,000	5
Alaska.....	97,725	2	103,000	2	108,000	2
Arkansas.....	528,676	14	559,000	14	595,000	14
California.....	739,587	15	783,000	17	826,000	17
Colorado.....	538,915	13	570,000	13	654,000	14
District of Columbia...	9,421,078	168	9,938,000	178	11,066,000	190
Georgia.....	979,141	27	1,036,000	27	1,155,000	28
Illinois.....	359,355	9	380,000	10	456,000	11
Kansas	552,014	13	504,000	14	670,000	15
Mississippi.....	137,623	4	146,000	4	156,000	4
Montana.....	300,062	8	318,000	8	338,000	8
Nebraska.....	93,864	2	99,000	2	104,000	2
New Mexico.....	211,733	5	224,000	5	287,000	6
North Carolina.....	148,889	4	158,000	4	168,000	4
Ohio.....	86,144	2	91,000	2	96,000	2
Oklahoma.....	139,936	3	148,000	4	158,000	4
Oregon.....	472,816	11	500,000	12	581,000	13
Pennsylvania.....	530,466	13	561,000	13	695,000	15
Puerto Rico.....	155,333	4	164,000	4	174,000	4
Texas.....	494,779	12	524,000	12	605,000	13
Utah.....	194,904	4	206,000	4	216,000	4
Virginia.....	147,338	4	156,000	4	166,000	4
Wisconsin.....	318,702	7	337,000	8	408,000	9
Total, Available or Estimate.....	16,800,549	348	17,745,000	365	19,903,000	388

AGRICULTURAL RESEARCH SERVICE

Purpose Statement

The Agricultural Research Service was established on November 2, 1953, pursuant to authority vested in the Secretary of Agriculture by 5 U.S.C. 301 and Reorganization Plan No. 2 of 1953, and other authorities.

The research performed by the Agricultural Research Service (ARS) is authorized by the Department of Agriculture Organic Act of 1862 (7 U.S.C. 2201, 2204), the Research and Marketing Act of 1946, as amended (7 U.S.C. 427,1621) the Food and Agriculture Act of 1977, as amended (7 U.S.C. 1281 note), and the Food Security Act of 1985 (7 U.S.C. 3101 note).

Agricultural Research Service is responsible for conducting basic, applied and developmental research on:

- Soil and Water Conservation
- Plant Productivity
- Animal Productivity
- Commodity Conversion and Delivery
- Human Nutrition
- Integration of Agricultural Systems

The research applies to a wide range of goals; commodities; natural resources; fields of science; and geographic, climatic, and environmental conditions.

As the U.S. Department of Agriculture's in-house agricultural research agency, ARS has major responsibilities for conducting and leading the national agricultural research effort. ARS provides initiative and leadership in five areas:

- * Research on broad regional and national problems.
- * Research to support Federal action and regulatory agencies.
- * Expertise to meet national emergencies.
- * Research support for international programs.
- * Scientific resource to the Executive Branch and Congress.

The mission of ARS research is to develop new knowledge and technology which will insure an abundance of high quality agricultural commodities and products at reasonable prices to meet the increasing needs of an expanding economy and to provide for the continued improvement in the standard of living of all Americans. This mission focuses on the development of technical information and technical products which bear directly on the needs to (1) manage and use the Nation's soil, water, air, and climatic resources, and improve the Nation's environment; (2) provide an adequate supply of agricultural products by practices that will maintain a permanent and effective agriculture; (3) improve the nutrition and well-being of the American people; (4) improve living in rural America; and (5) strengthen the Nation's balance of payments.

Research is conducted at numerous field locations in the States, District of Columbia, Puerto Rico, the Virgin Islands, and in several foreign countries. Much of the work is conducted in direct cooperation with the State agricultural experiment stations, other State and Federal agencies, and private organizations.

Central offices of ARS are in the Washington, D.C. Metropolitan Area. The field activities are managed on a national basis through 11 Area Offices. Activities are carried out at 133 separate field locations. As of September 30, 1986, there were 7,138 full-time employees and 1,064 other than full-time employees. Of the total, 474 full-time employees and 25 other than full-time employees worked in the headquarters office.

AGRICULTURAL RESEARCH SERVICE

Available Funds and Staff-YearsActual 1986, and Estimated 1987 and 1988

Item	1986 Actual Amount	Staff- Years	1987 Estimated Amount	Staff- Years	1988 Estimated Amount	Staff- Years
Direct Appropriation:						
Agricultural						
Research Service...	\$478,031,000	8,009	\$511,763,000	8,120	\$537,114,000	8,120
Buildings and						
Facilities.....	6,041,000	-	37,400,000	-	1,000,000	-
Total, Direct						
Appropriation....	484,072,000	8,009	549,163,000	8,120	538,114,000	8,120
Deduct Allotments to						
Other Agencies:						
Forest Service.....	-365,813	-	-369,000	-	-369,000	-
Net.....	483,706,187	8,009	548,794,000	8,120	537,745,000	8,120
Obligations from other						
USDA Appropriations:						
Agricultural						
Marketing Service..	95,312	-	100,000	-	100,000	-
Animal and Plant						
Health Inspection						
Service.....	5,787,495	93	6,300,000	97	6,300,000	97
Federal Grain						
Inspection Service..	241,570	1	340,000	1	340,000	1
National Agricultural						
Library.....	387,654	-	400,000	-	400,000	-
Forest Service.....	154,672	-	160,000	-	160,000	-
Food Safety and						
Inspection Service..	1,497,114	-	1,700,000	-	1,700,000	-
Human Nutrition						
Information Service:	97,930	-	110,000	-	110,000	-
Office of Interna-						
tional Cooperation:						
and Development....	459,265	3	900,000	3	900,000	3
Soil Conservation						
Service.....	310,830	2	320,000	2	320,000	2
Cooperative State						
Research Service....	895,579	14	3,000,000	30	3,000,000	30
Miscellaneous						
Reimbursements.....	129,862	1	635,802	1	635,802	1
Total, Other USDA						
Funds.....	10,057,283	114	13,965,802	134	13,965,802	134
Total, Agriculture						
Appropriations.....	493,763,470	8,106	562,759,802	8,247	551,710,802	8,247

Available Funds and Staff-YearsActual 1986, and Estimated 1987 and 1988

Item	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Other Federal Funds:						
Department of Defense...	\$ 843,175:	5:	\$ 950,000:	5:	\$ 950,000:	5
Department of Energy...	1,031,904:	1:	1,400,000:	1:	1,400,000:	1
Department of Health and Human Services...	1,621,385:	10:	1,700,000:	10:	1,700,000:	10
Department of Interior:	212,103:	2:	300,000:	2:	300,000:	2
Department of Commerce:	24,730:	- -:	25,000:	- -:	25,000:	- -
Environmental Protection Agency....	615,468:	1:	670,000:	1:	670,000:	1
Miscellaneous Reimbursement.....	122,658:	- -:	561,847:	- -:	561,847:	- -
Total, Other Federal Funds.....	4,471,423:	19:	5,606,847:	19:	5,606,847:	19
Non-Federal Funds:						
State of California....	496,343:	5:	650,000:	5:	650,000:	5
Binational Agriculture Research & Develop- ment Agreement (BARD):	651,402:	6:	1,000,000:	6:	1,000,000:	6
Quarters and Subsistence.....	223,388:	- -:	225,000:	- -:	225,000:	- -
Miscellaneous Reimbursement.....	1,476,884:	8:	1,552,351:	8:	1,552,351:	8
Miscellaneous Contributed Funds....	2,318,760:	6:	2,000,000:	6:	2,000,000:	6
Total, Non-Federal Funds.....	5,166,777:	25:	5,427,351:	25:	5,427,351:	25
Total, Agricultural Research Service.....	503,401,670:	8,167:	573,794,000:	8,298:	562,745,000:	8,298

Full-Time Equivalent Staff-Years:	1986 Actual	1987 Estimated	1988 Estimated
Ceiling.....	8,017	8,148	8,148
Non-Ceiling.....	150	150	150
Total.....	8,167	8,298	8,298

AGRICULTURAL RESEARCH SERVICE

Permanent Positions by Grade and Staff-Year Summary

1986 Actual and Estimated 1987 and 1988

Grade	1986 Actual			1987 Estimate			1988 Estimate		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-6	1	--	1	1	--	1	1	--	1
ES-5	4	2	6	4	2	6	4	2	6
ES-4	2	20	22	2	20	22	2	20	22
ES-3	1	2	3	1	2	3	1	2	3
ES-1	--	1	1	--	1	1	--	1	1
GS-18	--	1	1	--	1	1	--	1	1
GS-17	--	1	1	--	1	1	--	1	1
GS-16	--	1	1	--	1	1	--	1	1
GS/GM-15	3	1	4	3	1	4	3	1	4
GS/GM-14	39	310	349	39	316	355	39	316	355
GS/GM-13	26	579	605	26	590	616	26	590	616
GS-12	83	774	857	83	789	872	83	789	872
GS-11	76	744	820	76	758	834	76	758	834
GS-10	23	457	480	23	466	489	23	466	489
GS-9	--	18	18	--	18	18	--	18	18
GS-8	20	671	691	20	684	704	20	684	704
GS-7	6	249	255	6	254	260	6	254	260
GS-6	39	659	698	39	672	711	39	672	711
GS-5	73	473	546	73	482	555	73	482	555
GS-4	44	613	657	44	626	670	44	626	670
GS-3	23	233	256	23	240	263	23	240	263
GS-2	11	48	59	11	48	59	11	48	59
Positions at rates	2	10	12	2	10	12	2	10	12
Established by									
Act June 20, 1958									
(U.S.C. 3104)....	--	22	22	--	22	22	--	22	22

Permanent Positions by Grade and Staff-Year Summary

1986 Actual and Estimated 1987 and 1988

Grade	1986 Actual		1987 Estimate		1988 Estimate	
	Headquarters	Field	Headquarters	Field	Headquarters	Field
Grade Established under Foreign National Pay Plan	--	24	--	24	--	24
Ungraded Positions	9	757	9	773	9	773
Total Permanent Positions.....	485	6,669	485	6,800	485	6,800
Staff-Years:						
Ceiling.....	533	7,484	563	7,585	563	7,585
Non-Ceiling.....	10	140	10	140	10	140
TOTAL.....	543	7,624	573	7,725	573	7,725

AGRICULTURAL RESEARCH SERVICE

CLASSIFICATION BY OBJECTS

1986 and Estimated 1987 and 1988

	<u>1986 Actual</u>	<u>1987 Estimated</u>	<u>1988 Estimated</u>
Personnel Compensation:			
Headquarters.....	\$ 16,685,654	\$ 17,960,015	\$ 18,274,315
Field.....	<u>223,830,616</u>	<u>236,559,985</u>	<u>240,665,685</u>
11 Total Personnel Compensation.....	240,516,270	254,520,000	258,940,000
12.0 Personnel Benefits.....	30,898,729	37,529,000	52,106,000
13.0 Benefits for former employees	600,588	-	-
Total Pers. Comp. & Benefits..	<u>272,015,587</u>	<u>292,049,000</u>	<u>311,046,000</u>
Other Objects:			
21.0 Travel and transportation of persons.....	6,483,232	7,004,000	7,204,000
22.0 Transportation of things...	1,170,042	1,224,000	1,258,000
23.3 Communications, utilities and miscellaneous charges.	26,818,094	28,059,000	28,843,000
24.0 Printing and reproduction..	665,785	697,000	717,000
25.0 Other services.....	96,432,232	110,467,000	113,902,000
26.0 Supplies and materials.....	35,029,443	36,633,000	37,656,000
31.0 Equipment.....	29,380,850	30,740,000	31,598,000
32.0 Lands and structures.....	57,935,758	68,704,000	11,983,000
41.0 Grants, subsidies, and contributions.....	<u>3,186,872</u>	<u>1,759,000</u>	<u>1,759,000</u>
Total Other Objects.....	<u>257,443,308</u>	<u>285,734,000</u>	<u>234,920,000</u>
Total Obligations.....	<u>529,117,895</u> =====	<u>577,336,000</u> =====	<u>545,966,000</u> =====
Position Data:			
Average Salary, ES positions.....	\$68,414	\$70,637	\$71,874
Average Salary, GS positions.....	\$28,558	\$29,486	\$30,002
Average Grade, GS positions.....	9.55	9.55	9.55
Average Salary of Ungraded positions.....	\$24,119	\$24,903	\$25,339

Note: Includes Regular and Buildings and Facilities Appropriations.

AGRICULTURAL RESEARCH SERVICE

The estimates include proposed changes in the Language of this item as follows: (new language underscored; deleted matter enclosed in brackets).

Agricultural Research Service

- For necessary expenses to enable the Agricultural Research Service to perform agricultural research and demonstration relating to production, utilization, marketing, and distribution (not otherwise provided for), home economics or nutrition and consumer use, and for acquisition of lands by donation, exchange, or purchase at a nominal cost not to exceed \$100; [~~\$497,664,000~~] \$535,114,000: Provided, That appropriations hereunder shall be available for temporary employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$115,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That funds appropriated herein can be used to provide financial assistance to the organizers of national and international conferences, if such conferences are in support of agency programs: Provided further, That appropriations hereunder shall be available for the operation and maintenance of aircraft and the purchase of not to exceed one
- 1 for replacement only: [Provided further, That uniform allowances for each uniformed employee of the Agricultural Research Service shall not be in excess of \$400 annually:] Provided further, That of the appropriations hereunder not less than \$10,526,600 shall be available to conduct marketing research: Provided further, That appropriations hereunder, shall be available pursuant to 7 U.S.C. 2250 for the construction, alteration, and repair of buildings and improvements, but unless otherwise provided the cost of constructing any one building shall not exceed \$150,000, except for headhouses connecting greenhouses which shall each be limited to \$500,000, and except for ten buildings to be constructed or improved at a cost not to exceed \$275,000 each, and the cost of altering any one building during the fiscal year shall not exceed 10 per centum of the current replacement value of the building or \$150,000, whichever is greater: Provided further, That the limitations on alterations contained in this Act shall not apply to a total of \$250,000, for facilities at Beltsville, Maryland: Provided further, That the foregoing limitations shall not apply to replacement of buildings needed to carry out the Act of
 - 2 April 24, 1948 (21 U.S.C. 113a): [Provided further, That the limitation on purchase of land shall not apply to the purchase of land at Fresno,
 - 3 California, or to an option to purchase land at Florence, South Carolina,
 - 4 for a term of not to exceed one year: Provided further, That not to exceed \$190,000 of this appropriation may be transferred to and merged with the appropriation for the Office of the Assistant Secretary for Science and Education for the scientific review of international issues involving
 - 5 agricultural chemicals and food additives: Provided further, That this appropriation shall be available for transfer of all necessary equipment and germplasm to fully equip the National Small Grains Germplasm Facility in Aberdeen, Idaho].

Special fund: To provide for additional labor, subprofessional, and junior scientific help to be employed under contracts and cooperative agreements to strengthen the work at Federal research installations in the field, \$2,000,000.

Explanation of Changes

The first change proposes deletion of language pertaining to uniform allowances for uniformed employees of ARS. Authorization for uniform allowances is provided by 5 U.S.C. 5901.

The second change would delete language to purchase land at Fresno, California. Estimated cost for this purchase is \$450,000. ARS does not have funds available for this purpose. This language will not be required in FY 1988.

The third change would delete language for an option to purchase land adjacent to the ARS Coastal Plains Soil and Water Conservation Research Center, Florence, South Carolina. Land was purchased in September, 1986.

The fourth change would delete language pertaining to transfer of funds to the Office of the Assistant Secretary for Science and Education for the scientific review of international issues involving agricultural chemicals and food additives. This language will not be required in FY 1988.

The fifth change would delete language pertaining to the transfer of equipment and germplasm to fully equip the National Small Grains Germplasm Facility in Aberdeen, Idaho. These transfers will not be accomplished until FY 1989 to coincide with completion of construction of facilities. This language will not be required in FY 1988.

AGRICULTURAL RESEARCH SERVICE - CURRENT LAW

Appropriation Act, 1987.....	\$499,664,000
Budget Estimate, 1988.....	537,114,000
Increase in Appropriation.....	<u>+37,450,000</u>

Adjustments in 1987:

Appropriation Act, 1987.....	\$499,664,000	
Transfer to Departmental Administration.....	-50,000 ^{a/}	
Transfer to Cooperative State Research Service.....	-397,000 ^{b/}	
Pay Costs and FERS.....	+12,546,000 ^{c/}	
Adjusted Base for 1987.....		511,763,000
Budget Estimate, 1988.....		537,114,000
Increase over adjusted 1987.....		<u>+25,351,000</u>

^{a/} Transfer of \$50,000 to Departmental Administration for activities previously handled on a reimbursable basis.

^{b/} Pursuant to Secretary's Memorandum 1020-26, dated July 1, 1986, the activities previously administered through OGPS were transferred to the Cooperative State Research Service. Activities of OGPS were partially funded on a reimbursable basis. On a comparable basis the full annual cost of the activity including pay costs is \$341,000 for 1986 and \$430,000 for 1988.

^{c/} Reflects increases of \$7,799,000 for pay costs and \$4,747,000 for retirement costs.

AGRICULTURAL RESEARCH SERVICE - PROPOSED LEGISLATION

Budget Estimate, Current Law, 1988.....	\$537,114,000
Change due to proposed legislation.....	-500,000
Net Request, President's 1988 Budget Request.....	<u>536,614,000</u>

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of adjusted appropriation)

<u>Projects</u>	<u>1987 Estimated</u>	<u>Pay Cost and FERS</u>	<u>Program Changes</u>	<u>1988 Estimated</u>
1. Research on soil and water conservation.....	\$60,012,000	+\$1,935,000	- -	\$61,947,000
2. Research on plant productivity.....	194,868,000	+6,681,000	+\$7,347,000	208,896,000
3. Research on animal productivity.....	90,910,000	+3,172,000	+2,100,000	96,182,000
4. Research on commodity conversion and delivery	102,204,000	+3,314,000	- -	105,518,000
5. Human nutrition research	40,611,000	+449,000	- -	41,060,000
6. Integration of agricultural systems.....	11,655,000	+353,000	- -	12,008,000

<u>Projects</u>	<u>1987 Estimated</u>	<u>Pay Cost and FERS</u>	<u>Program Changes</u>	<u>1988 Estimated</u>
7. Repair and maintenance of facilities.....	10,552,000	- -	- -	10,552,000
8. Contingencies.....	951,000	- -	- -	951,000
Total Available.....	<u>511,763,000</u>	<u>+15,904,000^{a/}</u>	<u>+9,447,000</u>	<u>537,114,000</u>

^{a/} Includes an increase of \$2,473,000 for annualized pay increases effective in FY 1987 and \$13,431,000 for increased retirement costs.

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of specific projects)

<u>Item of Change</u>	<u>1987 Estimated</u>	<u>Pay Cost and FERS</u>	<u>Program Changes</u>	<u>1988 Estimated</u>
Crop germplasm collection, maintenance and evaluation.....	\$17,581,000	- -	+\$7,347,000	\$24,928,000
Decrease fats in beef, pork, lamb, and poultry..	1,869,000	- -	+2,100,000	3,969,000
All Other.....	<u>492,313,000</u>	<u>+\$15,904,000^{a/}</u>	<u>- -</u>	<u>508,217,000</u>
Total Available.....	<u>511,763,000</u>	<u>+15,904,000</u>	<u>+9,447,000</u>	<u>537,114,000</u>

^{a/} Includes an increase of \$2,473,000 for annualized pay increases effective in FY 1987 and \$13,431,000 for increased retirement costs.

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

<u>Item of Change</u>	1988	
	<u>Current Law</u>	<u>Program Changes</u> <u>President's Request</u>
Crop germplasm collection, maintenance and evaluation.....	\$24,928,000	-\$500,000 \$24,428,000
Decrease fats in beef, pork, lamb, and poultry.....	3,969,000	- - 3,969,000
All Other.....	<u>508,217,000</u>	<u>- -</u> <u>508,217,000</u>
Total Available.....	<u><u>537,114,000</u></u>	<u><u>-500,000</u></u> <u><u>536,614,000</u></u>

Explanation of Proposed Legislation

The Agricultural Research Service provides germplasm to scientists and universities world-wide for research purposes. Some germplasm is also distributed to commercial seed companies free of charge. This proposal would initiate fees for this service to the commercial users since they benefit from this service. Legislation will be proposed to assess charges to the users of these services so that the cost of providing the services will be borne by the commercial beneficiaries.

Project Statement
(on the basis of adjusted appropriation)

PROJECT	1986 Actual		1987 Estimated		Increase or Decrease	1988 Estimated	
	AMOUNT	Staff Years	AMOUNT	Staff Years		AMOUNT	Staff Years
1. Research on soil and water conservation....	\$59,210,188	973	\$60,012,000	988	+\$1,935,000 (1)	\$61,947,000	988
2. Research on plant productivity....	184,131,222	3,371	194,868,000	3,411	+14,028,000 (2)	208,896,000	3,411
3. Research on animal productivity....	87,481,185	1,596	90,910,000	1,620	+5,272,000 (3)	96,182,000	1,620
4. Research on commodity conversion and delivery.	88,729,800	1,668	102,204,000	1,692	+3,314,000 (4)	105,518,000	1,692
5. Human nutrition research.....	37,549,639	224	40,611,000	229	+449,000 (5)	41,060,000	229
6. Integration of agricultural systems.....	7,805,854	177	11,655,000	180	+353,000 (6)	12,008,000	180
7. Repair and maintenance of facilities.....	9,256,242	- -	10,552,000	- -	- -	10,552,000	- -
8. Contingencies	a/	- -	951,000	- -	- -	951,000	- -
Unobligated balance.....	3,866,870	- -	- -	- -	- -	- -	- -
Total available or estimate...	478,031,000	8,009	511,763,000	8,120	+25,351,000	537,114,000	8,120
Transfer to Departmental Administration.	159,000	- -	50,000	- -			
Transfer to CSRS for OGPS activities.....	341,000	10	397,000	- -			
Pay costs and FERS.....	- -	- -	-12,546,000	- -			
Total, Appropriation.....	478,531,000	8,019	499,664,000	8,120			

a/ Obligations for the \$951,000 appropriated in 1986 are reflected in the above programs.

AGRICULTURAL RESEARCH SERVICE

Explanation of Program

Under the Agriculture, Rural Development and Related Agencies Appropriations, the Agricultural Research Service develops the means for:

1. Managing and conserving the Nation's soil and water resources for a stable and productive agriculture. -- Research is conducted to develop the technology for assessing and predicting long-term changes in the quantity and quality of soil, water, and air resources available to agriculture; to provide the technology needed for improving, protecting, and restoring the productive capacity of agricultural soils; to develop improved water-management systems and practices to achieve effective and efficient use of water resources; and to develop subsystems and models that integrate the use of soil, water, and air resources for optimum management of major land resource areas.
2. Maintaining and increasing the productivity and quality of crop plants. -- Research is conducted to broaden the germplasm resources of plants and beneficial organisms to ensure maximum genetic diversity for improved productivity; to select and modify germplasm of plants, beneficial organisms, and pests; to develop improved production practices for maintaining and increasing crop productivity and quality and for reducing costs; to discover principles and develop improved methods for reducing crop losses caused by weeds, diseases, insects, nematodes, and other pests; and to develop improved methods for integrating the crop- and pest-management practices needed for higher and more stable levels of crop production.
3. Increasing the productivity of animals and the quality of animal products. -- Research is conducted to increase the genetic capacity of animals for production; to improve the efficiency of reproduction and reproduction-related biological processes; to improve animal nutrition and feed efficiency to increase productivity and product quality; to develop ways to prevent or control losses from diseases, parasites, and toxicants and other substances that limit animal performance and reduce the quality of animal products; to develop means for controlling insects, ticks, and mites that affect animals and man; and to devise means for improving and integrating procedures and facilities for production and transport of animals to increase productivity, reduce costs, and minimize stresses.
4. Achieving maximum use of agricultural products for domestic markets and export. -- Research is conducted to develop means for enhancing the inherent properties and uses of agricultural materials; to develop the means for meeting foreign and domestic user and regulatory requirements relating to toxic factors in food, feed, and other agricultural products; to develop means for reducing or eliminating postharvest losses caused by pests, spoilage, and physical and environmental damage; and to develop the means for increasing efficiency of systems for processing, handling, storing, and distributing agricultural products.
5. Promoting optimum human health and well-being through improved nutrition and family resource management. -- Research is conducted to define the nutrient requirements of humans at all stages of the life cycle; to determine the nutrient content of agricultural commodities and processed foods as eaten, and establish the bioavailability of their nutrients; and to improve the nutritional status of humans and the well-being of families by making techniques available for assessing the effectiveness of nutrition and home economics programs.

6. Integrating scientific knowledge of agricultural production, processing, and marketing into systems that optimize resource management and facilitate transfer of technology to users. -- Research is conducted to develop integrated systems for efficiently producing, processing, and marketing agricultural products; and to develop alternative agricultural systems, including those of small scale, that are less dependent upon nonrenewable resources and that are productive, efficient, and sustainable in the long term.
7. Repair and maintenance of facilities. -- Funds are used to repair and maintain ARS facilities to provide safe, energy-efficient and functional workspace for in-house research. In addition to this national program which focuses primarily on safety and energy retrofit projects, ARS is committed to adequately funding routine maintenance and repair. To assure that all facilities are properly maintained, each location allocates program funds as appropriate to perform the most pressing needs.

The research performed by Agricultural Research Service (ARS) is authorized by the Department of Agriculture Organic Act of 1862 (7 U.S.C. 2201, 2204) the Research and Marketing Act of 1946, as amended (7 U.S.C. 427, 1621) the Food and Agriculture Act of 1977, as amended (7 U.S.C. 1281 note), and the Food Security Act of 1985 (7 U.S.C. 3101 note).

JUSTIFICATION FOR INCREASES

- (1) An increase of \$1,935,000 for research on soil and water conservation consisting of:

An increase of \$301,000 to annualize 1987 pay costs and an increase of \$1,634,000 to fund increased costs associated with the Federal Employees' Retirement System.

- (2) An increase of \$14,028,000 for research on plant productivity consisting of:

- (a) An increase of \$7,347,000 for crop germplasm collection, maintenance and evaluation (\$17,581,000 available in FY 1987).

Need for Change. A wide array of genetic diversity is essential to reduce the genetic vulnerability of crop plants to climatic stress and pests, while lowering production costs and improving product quality. It is essential to acquire and preserve the valuable germplasm of economically important crop plants and their wild relatives. The germplasm evaluation is critical if desired genetic diversity is to be identified and utilized by scientists and industry. Germplasm enhancement, utilizing the most advanced genetic tools available, is necessary to bring this genetic diversity from primitive species and wild relatives into genetic combinations that permit immediate and efficient use by plant breeders.

Nature of Change. Resources will be used to further improve the Germplasm Resources Information Network (GRIN) database system. Exploration for new germplasm for both conventional and new crops will be accelerated. Endangered seed stocks will be regenerated and placed into long-term storage. Plant quarantine facilities will be improved and modernized, and research on long-term preservation of plant germplasm will be expanded.

- (b) An increase of \$1,039,000 to annualize 1987 pay costs and an increase of \$5,642,000 to fund increased costs associated with the Federal Employees' Retirement System.

- (3) An increase of \$5,272,000 for research on animal productivity consisting of:

- (a) An increase of \$2,100,000 for research to decrease fats in beef, pork, lamb and poultry (\$1,869,000 available in FY 1987).

Need for Change: Research is needed to reduce the amount of fat while retaining the desired quality of meat from animals. Meat and poultry products provide a varied balanced diet for humans by providing high-quality protein and readily available vitamins and minerals essential for life, growth and well-being. Research is needed to link the relationship of breeding animal diets and physiological metabolism to meat quality, quantity and the reduction of fat to reduce the cost of production and improve efficiency.

As a result of recent biotechnological advances and past research, new research approaches can be used to reduce the amount of fat while retaining the desired quality of meat from animals. Several areas of research will lead to the efficient production of meat products with reduced amounts of fat with the proper composition of nutrients for human diets:

- Use of recombinant DNA techniques and existing animal germplasm to alter the genotype of animals to produce leaner products.
- Alteration of the nutritional composition of animal diets to control the amount and metabolism of fat and protein in animal products.
- Development of model systems for animals to identify relative contribution of genetic, nutritional, and reproductive components to maximize efficiency of producing desirable lean meat.

Nature of Change: Selected research approaches will be pursued to reduce fat in beef, pork, lamb and poultry. Approaches will include determination of how specific genes interact with other genes to reduce fat and enhance development of lean tissue; identification of mechanisms responsible for hormonal influence on protein and fat synthesis; determination of how rate of prenatal and postnatal fat and muscle is controlled; identification of systemic and cellular mechanisms that control fat and protein formation; characterization of tissue receptor sites for fat and protein synthesis and identification of metabolic pathways responsible for lipid deposition, mobilization, and metabolism.

- (b) An increase of \$493,000 to annualize 1987 pay costs and an increase of \$2,679,000 to fund increased costs associated with the Federal Employees' Retirement System.
- (4) An increase of \$3,314,000 for research on commodity conversion and delivery consisting of:
- An increase of \$515,000 to annualize 1987 pay costs and an increase of \$2,799,000 to fund increased costs associated with the Federal Employees' Retirement System.
- (5) An increase of \$449,000 for human nutrition research consisting of:
- An increase of \$70,000 to annualize 1987 pay costs and an increase of \$379,000 to fund increased costs associated with the Federal Employees' Retirement System.
- (6) An increase of \$353,000 for integration of agricultural systems consisting of:
- An increase of \$55,000 to annualize 1987 pay costs and an increase of \$298,000 to fund increased costs associated with the Federal Employees' Retirement System.

CONTINGENCY RESEARCH FUND

The Contingency Research Fund, established by Congress in Fiscal Year 1962, is designed to provide a ready source of funds to meet unforeseen and immediate research needs. Releases from the fund are generally made in situations where an emergency exists, or for special needs such as an unexpected scientific "breakthrough," or for new diseases or pest problems where it appears inadvisable to wait for consideration of a request for funds for the project in the regular budget process. In allocating funds, the procedure is to make no commitments for allocations from the fund beyond the current year.

1986 Obligations

Research on sugarbeet and root disease, Rhzomania, Salinas, California.....	\$ 50,000
Property and equipment destroyed or damaged by Hurricane Gloria, Greenport, New York.....	50,994
To replace and/or repair equipment damaged by storm, University Park, Pennsylvania.....	20,000
Repair infrared thermometers damaged by thunderstorm, Lubbock, Texas.....	10,000
Emergency replacement of a concrete pad and liquid nitrogen tank, ERRC, Wyndmoor, Pennsylvania.....	15,731
Eradication and control of current outbreak of H5N2 avian influenza in the Northeast United States, Athens, Georgia.....	230,000
Postharvest quarantine treatment for Fuller Rose Beetle which is restricting U.S. Citrus exports to Japan, Fresno, California..	50,000
Emergency decontamination of ductwork and ventilation system to alleviate health problems, ERRC, Wyndmoor, Pennsylvania.....	20,641
Emergency need for irrigation equipment as a result of severe drought, Watkinsville, Georgia.....	19,000
Emergency replacement of a solar drying building destroyed by fire, and a storage building damaged by the same fire, Kimberly, Idaho.....	8,698
Emergency replacement of fluoromonitor for HPLC system used in determining the regulation of metabolism of Vitamin B-6, BHNRC, Beltsville, Maryland.....	40,000
Emergency removal of asbestos, Wool Processing, WRRRC, Albany, California.....	56,266
Emergency repair of air conditioning/heat pump system at the animal quarters, Athens, Georgia.....	50,000
Emergency removal of asbestos in laboratory, Lansing, Michigan...	13,600
Emergency replacement of air compressor, Geneva, New York.....	2,827
Replacement of equipment destroyed by fire, Tifton, Georgia.....	259,683
Eliminate pollution by replacing high voltage transformers that contain PCB, New Orleans, Louisiana.....	<u>53,818</u>

Total 1986 Obligations, Contingency Research Fund..\$951,258

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STATEMENT OF OBLIGATIONS AND STAFF-YEARS BY LOCATION

(On basis of adjusted appropriation)

Location	Actual 1986		Estimated 1987		Estimated 1988	
	Dollars	Staff-Years	Dollars	Staff-Years	Dollars	Staff-Years
ALABAMA, Auburn.....	\$2,491,603	48	\$2,472,000	48	\$2,566,000	48
ALASKA, Fairbanks.....	685,777	4	714,600	6	726,300	6
ARIZONA						
Phoenix.....	4,848,865	100	4,854,400	100	5,050,300	100
Tucson.....	3,222,844	72	3,481,600	72	3,622,600	72
Total.....	8,071,709	172	8,336,000	172	8,672,900	172
ARKANSAS						
Booneville.....	991,874	18	959,600	18	1,129,900	18
Stuttgart.....	225,193	4	223,300	4	231,100	4
Total.....	1,217,067	22	1,182,900	22	1,361,000	22
CALIFORNIA						
Albany.....	15,770,173	273	17,970,300	290	18,538,400	290
Drawley.....	329,861	8	336,800	8	352,400	8
Davis.....	1,059,427	19	943,100	19	980,300	19
Fresno.....	3,351,595	62	3,346,400	62	3,467,900	62
Pasadena.....	1,926,292	32	1,904,300	32	1,966,900	32
Riverside.....	3,534,875	57	2,899,800	57	3,011,500	57
Salinas.....	1,838,023	30	1,726,800	30	1,785,500	30
San Francisco.....	3,229,617	41	3,764,000	42	3,846,300	42
Shafter.....	1,156,845	25	1,211,000	25	1,260,000	25
Total.....	32,196,708	547	34,102,500	565	35,209,200	565
COLORADO						
Akron.....	768,943	17	734,200	17	767,500	17
Fort Collins.....	6,762,992	128	6,982,100	131	8,138,700	131
Total.....	7,531,935	145	7,716,300	148	8,906,200	148
DELAWARE						
Georgetown.....	530,435	10	556,800	10	756,300	10
Newark.....	565,858	13	581,800	13	607,300	13
Total.....	1,096,293	23	1,138,600	23	1,363,600	23
DISTRICT OF COLUMBIA						
Program.....	3,458,308	71	3,656,800	78	3,809,600	78
Headquarters						
Federal						
Administration.....	25,522,886	543	27,511,600	563	28,614,400	563
Centrally Fin-						
anced Services.....	9,340,091	- -	10,761,800	- -	10,761,800	- -
Subtotal.....	34,862,977	543	38,273,400	563	39,376,200	563
Total.....	38,321,285	614	41,930,200	641	43,185,800	641
FLORIDA						
Belle Glade.....	174,857	2	182,100	3	188,000	3
Brooksville.....	611,492	7	429,700	7	443,400	7
Canal Point.....	856,485	22	740,100	22	783,200	22
Fort Lauderdale.....	653,495	10	646,700	10	666,200	10
Gainesville.....	8,543,769	151	8,406,800	151	8,702,600	151
Lake Alfred.....	126,591	1	125,600	2	129,500	2
Miami.....	1,320,140	32	1,595,500	32	1,658,100	32
Orlando.....	3,796,419	65	3,647,800	65	3,775,100	65
Winter Haven.....	906,293	16	1,086,600	14	1,114,100	14
Total.....	16,989,546	306	16,860,900	306	17,460,200	306

STATEMENT OF OBLIGATIONS AND STAFF-YEARS BY LOCATION

(On basis of adjusted appropriation)

Location	Actual 1986		Estimated 1987		Estimated 1988	
	Dollars	Staff-Years	Dollars	Staff-Years	Dollars	Staff-Years
GEORGIA						
Athens.....	10,762,587	189	11,285,500	190	11,382,600	190
Byron.....	1,752,596	39	1,700,700	39	1,777,100	39
Dawson.....	969,873	25	1,392,900	25	1,441,900	25
Experiment.....	582,061	4	783,200	5	1,423,000	5
Savannah.....	2,446,877	55	2,667,800	55	2,775,600	55
Tifton.....	5,846,688	99	5,558,000	99	5,752,000	99
Watkinsville.....	1,764,120	27	1,774,600	25	1,823,600	25
Total.....	24,124,802	438	25,162,700	438	26,875,800	438
HAWAII, Honolulu.....	3,088,522	49	3,398,000	49	3,493,900	49
IDAHO						
Aberdeen.....	731,701	6	780,600	10	1,160,100	10
Boise.....	926,227	16	1,036,500	16	1,067,900	16
Dubois.....	1,248,377	14	1,372,900	14	1,580,400	14
Kimberly.....	2,046,568	42	2,101,200	42	2,183,500	42
Total.....	4,952,873	78	5,291,200	82	5,991,900	82
ILLINOIS						
Peoria.....	17,053,337	311	19,002,400	314	19,617,400	314
Urbana.....	2,960,275	45	3,027,900	46	3,253,000	46
Total.....	20,013,612	356	22,030,300	360	22,870,400	360
INDIANA, Lafayette.....	3,258,228	40	2,882,200	41	2,962,500	41
IOWA						
Ames.....	17,120,736	363	17,689,100	365	19,034,000	365
Ankeny.....	526,850	5	- -	- -	- -	- -
Total.....	17,647,586	368	17,689,100	365	19,034,000	365
KANSAS, Manhattan.....	3,428,980	67	3,876,600	67	4,007,800	67
KENTUCKY, Lexington....	886,321	20	903,100	20	942,300	20
LOUISIANA						
Baton Rouge.....	1,430,459	31	1,572,500	31	1,633,200	31
Houma.....	1,303,406	35	1,330,500	35	1,399,100	35
New Orleans.....	15,189,338	252	16,254,200	251	16,745,800	251
Total.....	17,923,203	318	19,157,200	317	19,778,100	317
MAINE, Orono.....	411,965	7	441,500	7	455,200	7
MARYLAND						
Beltsville.....	68,897,966	1,344	71,328,200	1,344	74,905,600	1,344
Frederick.....	1,912,462	36	2,035,400	36	2,105,900	36
Hyattsville.....	324,913	9	399,900	10	419,400	10
Total.....	71,135,341	1,389	73,763,500	1,390	77,430,900	1,390
MASSACHUSETTS, Boston..	10,820,685	2	12,120,000	4	12,127,800	4
MICHIGAN, East Lansing.	3,098,422	62	3,150,000	62	3,271,500	62

STATEMENT OF OBLIGATIONS AND STAFF-YEARS BY LOCATION

(On basis of adjusted appropriation)

Location	Actual 1986		Estimated 1987		Estimated 1988	
	Dollars	Staff-Years	Dollars	Staff-Years	Dollars	Staff-Years
MINNESOTA						
East Grand Forks.....	396,849	8	591,100	8	606,700	8
Minneapolis.....	967,176	21	1,218,200	23	1,263,300	23
Morris.....	1,612,185	30	1,625,800	30	1,684,500	30
St. Paul.....	2,666,318	36	2,575,900	36	3,003,700	36
Total.....	5,642,528	95	6,011,000	97	6,558,200	97
MISSISSIPPI						
Mississippi State....	5,748,674	120	6,038,000	120	6,273,000	120
Oxford.....	3,079,657	68	3,359,100	68	3,492,300	68
Poplarville.....	387,818	9	596,800	9	614,400	9
Stoneville.....	8,347,180	177	9,013,700	179	9,364,300	179
Total.....	17,563,329	374	19,007,600	376	19,744,000	376
MISSOURI, Columbia.....						
	3,950,746	85	4,056,700	85	4,223,200	85
MONTANA						
Bozeman.....	1,183,274	22	1,065,000	22	1,103,100	22
Miles City.....	1,538,344	12	1,534,700	12	1,738,200	12
Sidney.....	410,197	6	434,000	10	453,500	10
Total.....	3,131,815	40	3,033,700	44	3,299,800	44
NEBRASKA						
Clay Center.....	7,612,009	57	7,844,600	57	8,406,300	57
Lincoln.....	2,600,411	40	2,658,100	40	2,736,500	40
Total.....	10,212,420	97	10,502,700	97	11,142,800	97
NEVADA, Reno.....						
	587,793	11	608,800	10	623,300	10
NEW JERSEY						
New Brunswick.....	526,168	10	432,000	10	501,500	10
NEW MEXICO						
Las Cruces.....	1,167,824	27	1,234,500	27	1,287,400	27
NEW YORK						
Geneva.....	478,366	8	499,900	8	965,500	8
Ithaca.....	2,954,512	31	2,875,200	32	2,937,800	32
Plum Island.....	8,455,023	198	8,730,600	198	9,118,400	198
Total.....	11,887,901	237	12,105,700	238	13,021,700	238
NORTH CAROLINA						
Oxford.....	2,143,186	35	2,323,900	35	2,392,500	35
Raleigh.....	4,050,590	67	3,821,000	67	4,312,200	67
Total.....	6,193,776	102	6,144,900	102	6,704,700	102
NORTH DAKOTA						
Fargo.....	6,575,641	122	6,670,700	122	7,359,700	122
Grand Forks.....	5,599,767	27	5,691,300	31	5,752,500	31
Mandan.....	2,206,320	48	2,308,600	48	2,402,600	48
Total.....	14,382,228	197	14,671,100	201	15,514,800	201

STATEMENT OF OBLIGATIONS AND STAFF-YEARS BY LOCATION

(On basis of adjusted appropriation)

Location	Actual 1986		Estimated 1987		Estimated 1988	
	Dollars	Staff-Years	Dollars	Staff-Years	Dollars	Staff-Years
OHIO						
Columbus.....	195,115	3	192,400	3	198,300	3
Coshocton.....	748,639	18	818,700	18	854,000	18
Delaware.....	568,060	12	563,400	12	586,900	12
Wooster.....	1,471,644	35	1,518,700	35	1,587,300	35
Total.....	2,983,458	68	3,093,200	68	3,226,500	68
OKLAHOMA						
Durant.....	1,809,811	39	1,875,500	39	1,951,900	39
El Reno.....	1,435,785	30	1,435,600	28	1,670,400	28
Lane.....	542,928	6	1,118,600	9	1,136,200	9
Poteau.....	758,614	9	573,400	9	591,000	9
Stillwater.....	1,761,388	32	1,662,300	32	1,724,900	32
Woodward.....	636,199	15	714,600	15	744,000	15
Total.....	6,944,725	131	7,380,000	132	7,818,400	132
OREGON						
Burns.....	273,366	3	208,500	3	214,400	3
Corvallis.....	2,417,933	42	2,732,700	42	3,175,000	42
Pendleton.....	926,725	22	952,200	22	995,300	22
Portland.....	797,064	18	1,045,100	18	1,080,400	18
Total.....	4,415,088	85	4,938,500	85	5,465,100	85
PENNSYLVANIA						
University Park.....	2,792,853	52	2,657,600	52	2,759,400	52
Wyndmoor.....	14,157,699	240	15,865,700	241	16,337,700	241
Total.....	16,950,552	292	18,523,300	293	19,097,100	293
SOUTH CAROLINA						
Charleston.....	1,802,405	43	2,221,200	43	2,305,400	43
Clemson.....	1,564,489	28	1,710,200	28	1,765,000	28
Florence.....	1,780,407	38	1,670,500	37	1,743,000	37
Total.....	5,147,301	109	5,601,900	108	5,813,400	108
SOUTH DAKOTA						
Brookings-Madison....	1,418,949	36	1,481,000	36	1,551,500	36
TENNESSEE						
Greeneville.....	39,305	1	50,800	1	52,800	1
Jackson.....	122,886	3	129,900	3	135,800	3
Lewisburg.....	153,591	3	144,300	2	148,200	2
Total.....	315,782	7	325,000	6	336,800	6
TEXAS						
Beaumont.....	706,436	16	758,400	16	789,800	16
Brownwood.....	588,010	12	505,200	11	526,800	11
Bushland.....	2,137,569	43	2,159,500	43	2,243,700	43
College Station.....	7,749,422	136	8,274,200	142	8,552,200	142
Houston.....	3,930,068	-	4,881,200	1	4,883,200	1
Kerrville.....	2,282,816	53	2,339,200	53	2,443,000	53
Lubbock.....	2,103,054	37	2,176,600	37	2,249,100	37
Temple.....	2,628,509	58	2,704,600	58	2,953,200	58
Weslaco.....	5,235,588	108	5,649,400	108	5,860,900	108
Total.....	27,361,472	463	29,448,300	469	30,501,900	469

STATEMENT OF OBLIGATIONS AND STAFF-YEARS BY LOCATION

(On basis of adjusted appropriation)

Location	Actual 1986		Estimated 1987		Estimated 1988	
	Dollars	Staff-Years	Dollars	Staff-Years	Dollars	Staff-Years
UTAH, Logan.....	3,127,463	53	3,125,600	53	3,409,400	53
VIRGINIA Suffolk	470,051	12	481,000	12	504,500	12
WASHINGTON Prosser.....	2,079,345	40	2,272,900	40	2,351,300	40
Pullman.....	4,712,217	79	4,778,500	79	5,563,300	79
Wenatchee.....	1,009,125	22	1,088,300	22	1,131,400	22
Yakima.....	2,310,491	52	2,344,400	52	2,446,200	52
Total.....	10,111,178	193	10,484,100	193	11,492,200	193
WEST VIRGINIA Beckley.....	2,063,372	24	2,297,200	38	2,371,700	38
Kearneysville.....	2,883,398	28	3,176,400	43	3,260,600	43
Total.....	4,946,770	52	5,473,600	81	5,632,300	81
WISCONSIN, Madison.....	4,856,788	48	4,520,400	52	4,622,200	52
WYOMING Cheyenne.....	663,464	18	670,300	18	705,600	18
Laramie.....	1,925,619	22	1,919,600	25	1,968,600	25
Total.....	2,589,083	40	2,589,900	43	2,674,200	43
PUERTO RICO Mayaguez.....	1,756,633	45	1,889,900	45	1,978,000	45
VIRGIN ISLANDS St. Croix.....	253,145	6	220,300	6	232,000	6
OTHER COUNTRIES Argentina, Buenos Aires.....	111,898	- -	208,000	- -	208,000	- -
France, Behoust.....	678,857	2	816,900	2	820,800	2
Italy, Rome.....	490,334	2	497,400	2	501,300	2
Kenya, Muguga.....	97,549	1	152,600	1	154,600	1
Korea, Seoul.....	126,695	1	150,100	1	152,100	1
Mexico, Tuxtla Gutierrez.....	770,198	10	900,200	10	919,700	10
Netherlands, Rotterdam.....	266,072	2	303,700	2	307,600	2
Thailand, Chiang Mai.	130,505	1	- -	- -	- -	- -
Total.....	2,672,108	19	3,028,900	18	3,064,100	18

STATEMENT OF OBLIGATIONS AND STAFF-YEARS BY LOCATION

(On basis of adjusted appropriation)

Location	Actual 1986		Estimated 1987		Estimated 1988	
	Dollars	Staff-Years	Dollars	Staff-Years	Dollars	Staff-Years
Extramural and Program locations to be determined.....	3,582,638	- -	15,107,800	- -	16,502,500	- -
Contingency Research Fund.....	<u>a/</u>	- -	951,300	- -	951,300	- -
Repair & Maintenance of Facilities.....	9,256,242	- -	10,551,900	- -	10,551,900	- -
Unobligated Balance....	3,866,870	- -	- -	- -	- -	- -
Subtotal, Available or Estimate.....	477,665,287	8,009	511,394,000	8,120	536,745,000	8,120
Allotment to Forest Service.....	365,813	- -	369,000	- -	369,000	- -
Transfer to departmental administration	159,000	- -	50,000	- -	- -	- -
Pro-rata reduction PL 99-190.....	3,018,000	- -	- -	- -	- -	- -
Reduction pursuant to Gramm-Rudman-Hollings PL 99-177.....	21,494,000	- -	- -	- -	- -	- -
Transfer to CSRS for competitive grants administration.....	340,900	10	397,000	- -	- -	- -
Transfer for pay cost and FERS.....	- -	- -	-12,546,000	- -	- -	- -
TOTAL, Appropriation...	503,043,000	8,019	499,664,000	8,120	537,114,000	8,120

a/ Obligations from the Contingency Fund (\$951,300) are included in the locations above.

STATEMENT OF OBLIGATIONS AND STAFF-YEARS BY LOCATION

(On basis of adjusted appropriation)

Location	Actual 1986		Estimated 1987		Estimated 1988	
	Dollars	Staff-Years	Dollars	Staff-Years	Dollars	Staff-Years
Extramural and Program locations to be determined.....	3,582,638	- -	15,107,800	- -	16,502,500	- -
Contingency Research Fund.....	<u>a/</u>	- -	951,300	- -	951,300	- -
Repair & Maintenance of Facilities.....	9,256,242	- -	10,551,900	- -	10,551,900	- -
Unobligated Balance....	3,866,870	- -	- -	- -	- -	- -
Subtotal, Available or Estimate.....	477,665,287	8,009	511,394,000	8,120	536,745,000	8,120
Allotment to Forest Service.....	365,813	- -	369,000	- -	369,000	- -
Transfer to departmental administration	159,000	- -	50,000	- -	- -	- -
Transfer to CSRS for competitive grants administration.....	340,900	10	397,000	- -	- -	- -
Transfer for pay cost and FERS.....	- -	- -	-12,546,000	- -	- -	- -
TOTAL, Appropriation...	478,531,000	8,019	499,664,000	8,120	537,114,000	8,120

a/ Obligations from the Contingency Fund (\$951,300) are included in the locations above.

AGRICULTURAL RESEARCH SERVICE

The estimates include proposed changes in the Language of this item as follows: (new language underscored; deleted matter enclosed in brackets.)

Buildings and Facilities:

For acquisition of land, construction, repair, improvement, extension, alteration, and purchase of fixed equipment or facilities and for grants to States and other eligible recipients for such purposes, as necessary to carry out the agricultural research, extension and teaching programs of the Department of Agriculture, where not otherwise provided, [\$37,400,000] \$1,000,000 to remain available until expended: Provided, That these funds may be transferred to such other accounts in this Act as may be appropriate to carry out these purposes: Provided further, That facilities to house Bonsai collections at the National Arboretum may be constructed with funds accepted under the provisions of Public Law 94-129 (20 U.S.C. 195) and the limitation on construction contained in the Act of August 24, 1912 (40 U.S.C. 68) should not apply to the construction of such facilities.

Explanation of Change

The change provides for planning and design of the National Seed Storage Laboratory, Fort Collins, Colorado in FY 1988.

AGRICULTURAL RESEARCH SERVICE

BUILDINGS AND FACILITIES

Appropriation Act, 1987.....	\$37,400,000
Budget Estimate, 1988.....	1,000,000
Decrease in Appropriation.....	<u>-36,400,000</u>

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

<u>Items of Change</u>	<u>1987 Estimated</u>	<u>Program Changes</u>	<u>1988 Estimated</u>
School of Veterinary Medicine, Tuskegee University, Tuskegee, Alabama.....	\$5,400,000	-\$5,400,000	- -
U.S. Salinity Laboratory, Riverside, California.....	1,000,000	-1,000,000	- -
Planning and Construction, National Seed Storage Laboratory, Fort Collins, Colorado.....	- -	+1,000,000	\$1,000,000
Plant and Animal Science Research Center, University of Illinois, Urbana, Illinois.....	27,000,000	-27,000,000	- -
Feasibility Study, Plant Science and Educational Satellite Video Communications Center at Kansas State University, Manhattan, Kansas....	100,000	-100,000	- -
Wheat Marketing and Demonstration Laboratory, Portland Oregon.....	900,000	-900,000	
Agricultural Science and Industry Facility, Pennsylvania State University, University Park, Pennsylvania.....	1,800,000	-1,800,000	- -
George D. Aiken Center for Microbiology and Agricultural Science in Vermont....	900,000	-900,000	- -
Classroom Space at Virginia-Maryland Regional College of Veterinary Medicine, Blacksburg, Virginia.....	<u>300,000</u>	<u>-300,000</u>	<u>- -</u>
	<u>37,400,000a/</u>	<u>-36,400,000</u>	<u>1,000,000</u>

a/ Of this amount, \$28,000,000 is being proposed for rescission. These projects are identified as follows: \$27,000,000 for construction of a Plant and Animal Science Research Center at the University of Illinois, \$900,000 for construction of a wheat marketing and demonstration laboratory in Portland, Oregon and \$100,000 to conduct feasibility studies in Kansas for a plant science research center and an educational satellite video communication center.

AGRICULTURAL RESEARCH SERVICE

BUILDINGS AND FACILITIESProject Statement

	: 1986	:	1987 (est.)	:	:	1988 (est.)	:
Project	: Amount	: Staff:	: Amount	: Staff:	Increase or	: Amount	: Staff
		: Tears:		: Years:	Decrease		: Years
Construction ARS:	\$54,943,409:	- -	\$37,400,000 ^{a/} :	- -	-\$36,400,000:	\$1,000,000:	- -
Unobligated	:	:	:	:	:	:	:
balance.....	: 34,846,186:	- -	- -	- -	- -	- -	- -
Total available	:	:	:	:	:	:	:
or estimate...	: 89,789,595:	- -	37,400,000	- -	-36,400,000:	\$1,000,000:	- -

^{a/} Of this amount, \$28,000,000 is being proposed for rescission.

JUSTIFICATION FOR INCREASES AND DECREASES

(1) A net decrease of \$36,400,000 for Buildings and Facilities consisting of:

- (a) Need for Change. Funds for projects contained in the FY 1987 Appropriation Act totaled \$37,400,000. The funds are available until fully expended and are not required in the FY 1988 Appropriation Act. However, of this amount, \$28,000,000 is proposed for rescission in FY 1987.

Nature of Change. Projects proposed for rescission in FY 1987 are as follows:

- Urbana, Illinois. Construction funds for a Plant and Animal Sciences Research Center, \$27,000,000.
- Portland, Oregon. Construction funds for a Wheat Marketing and Demonstration Laboratory, \$900,000.
- Manhattan, Kansas. Funds for feasibility studies for two Kansas State University projects: A new Plant Science Center and an Educational Satellite Communications Center, \$100,000.

- (b) An increase of \$1,000,000 for planning and design of a new National Seed Storage Laboratory, Fort Collins, Colorado.

Need for Change. The present National Seed Storage Laboratory (NSSL), constructed in 1957, has nearly reached capacity and has various functional deficiencies which compromise its ability to provide adequate long-term germplasm storage. While the National Plant Germplasm System (NPGS) includes numerous smaller working collections, the NSSL is the most important germplasm repository for major crops in the world. It houses the entire base seed collections of all major U. S. crops for long-term storage and preservation.

Valuable crop germplasm around the world is increasingly being lost because of man's activities. For this endangered germplasm to be available to future generations, its collection and preservation must be accelerated. Availability of a wide variety of genetic material is crucial to realization of significant breakthroughs in biotechnology applications. Collection of germplasm is far from being finished for most of our food, fiber and forage crops. Currently there are about 210,000 seed samples (accessions) in the NSSL. At the present rate of acquisition, the facility will be completely full by 1989. Plans now being developed for further acceleration of collection of endangered germplasm, especially of wheat, corn, soybeans, vegetables and forage crops, will dictate the need for expanded storage facilities by 1989.

A facility is needed with the capacity of storing one million seed accessions. This takes into account the additional need for preserving seed of endangered native plants, of new crop species having potential economic importance, and for accommodating the probable and specialized requirements of storage in the form of DNA. The existing facility would be renovated as part of this project to house germplasm research.

Nature of Change. Planning will include design and cost estimates for expansion and renovation of the present NSSL facility at Fort Collins, Colorado.

Agricultural Research Service
Status of Construction Projects as of January 1987

Status of research facilities authorized in prior years and reported as uncompleted in the 1987 Explanatory Notes, is as follows:

NOTE: Design criteria, provided by ARS, specifies the program requirements for the facility and forms the basis for negotiation of architect-engineer contracts. Diagrammatic drawings or concept drawings provide the basis for the first review of the architect's design. Tentative drawings or architect's design are provided by the architect for firming up cost estimates and basis for developing the completed, and final working drawings.

<u>Location and Purpose</u>	<u>Year</u>	<u>Amount of Funds Provided</u>	<u>Description</u>
Alabama, Tuskegee <u>Regional Institute</u> for Food Animal Production	1986 Plans 1987 Construction	\$ 570,800 5,400,000	Grant was awarded during the fourth quarter of FY 1986 to Tuskegee University through Cooperative State Research Service to plan the proposed Regional Institute for Food Animal Production research and services at the School of Veterinary Medicine, Tuskegee University. Construction to be handled through a grant process by Cooperative State Research Service.
Arkansas, Booneville <u>South Central Small</u> Farms Research Center	1985 Plans and Construction	\$ 450,000	The AE design was awarded in the third quarter of FY 1985 and was completed in the second quarter of FY 1986. Construction awarded in the fourth quarter of FY 1986 with completion scheduled for the third quarter of FY 1987.
California, Riverside <u>U.S. Salinity Laboratory</u>	1987 Plans	\$1,000,000	Planning to commence in FY 1987.
Idaho, Aberdeen <u>Germplasm Collection</u> Facility	1985 Plans 1986 Construction	\$ 300,000 2,568,600 <u>2,868,600</u>	The AE design was awarded in the third quarter of FY 1986, and scheduled for completion in the second quarter FY 1987. Construction is scheduled for award in the third quarter of FY 1987, and completion scheduled in the second quarter of FY 1989.
Illinois, Champaign-Urbana <u>Plant and Animal</u> Sciences Research Center	1986 Plans 1987 Construction	\$ 2,853,900 \$27,000,000 <u>a/</u>	Grant was awarded through Cooperative State Research Service to University of Illinois at Champaign-Urbana during the fourth quarter of FY 1986 to plan a plant and animal sciences research center to be located on the Champaign-Urbana campus. Construction funds are proposed for rescission.

Status of Construction Projects as of January 1987 (Cont.)

<u>Location and Purpose</u>	<u>Year</u>	<u>Amount of Funds Provided</u>	<u>Description</u>
<u>Iowa, Ames</u> National Soil Tilth Center	1984 Plans 1985 Construction Total	\$ 800,000 11,100,000 <u>\$11,900,000</u>	AE design was awarded in the fourth quarter of FY 1984 and completed in the second quarter of FY 1986. Construction was awarded in the first quarter of FY 1987 and completion is scheduled in the first quarter of FY 1989.
<u>Kansas, Manhattan</u> Plant Science and Educational Satellite Video Communications Center, Kansas State University	1987 Feasibility Study	\$ 100,000 a/	Funds for the Feasibility Study are proposed for rescission.
<u>Massachusetts, Boston</u> Human Nutrition Research Center, Tufts University	1978 Plans 1979 Construction 1980 Reprogrammed 1982 Reprogrammed 1982 Construction Total	\$ 2,000,000 21,100,000 2,187,000 b/ 1,490,748 c/ 5,896,000 <u>\$32,673,748</u>	The Human Nutrition Research Center at Tufts University in Boston, Massachusetts, is complete except for some construction deficiencies which are being corrected. The majority of the heating, ventilation, and air-conditioning problems have been corrected in the animal holding and laboratory area. Exterior building water leaks are being corrected. Completion is projected for late in the third quarter of FY 1987.
<u>Mississippi,</u> <u>Mississippi State</u> Warmwater Aquaculture Research Center	1985 Plans	\$ 700,000	This amount, appropriated under P.L. 98-473 was transferred to Cooperative State Research Service by Supplemental Appropriation, P.L. 99-88 dated August 15, 1985.
<u>Mississippi, Oxford</u> USDA Sedimentation Laboratory	1985 Plans and Construction	\$ 1,400,000	AE design was awarded in the second quarter of FY 1985 and completed in the first quarter of FY 1986. Construction was awarded in the first quarter of FY 1986 and is scheduled for completion in the second quarter of FY 1987.
<u>Nebraska, Clay Center</u> Center for Advanced Studies in Food and Animal Health	1986 Reprogrammed for Planning and Construction	\$ 4,000,000	AE design was awarded in the first quarter of FY 1987 and design is to be completed the first quarter of FY 1988. The construction is scheduled to be awarded during the second quarter of FY 1988 and completed during the third quarter of FY 1989.

Status of Construction Projects as of January 1987 (Cont.)

<u>Location and Purpose</u>	<u>Year</u>	<u>Amount of Funds Provided</u>	<u>Description</u>
<u>Nebraska, Clay Center</u> <u>Center for Advanced</u> <u>Studies in Food and</u> <u>Animal Health-</u> <u>Veterinary Training</u> <u>Facility</u>	1986 Reprogrammed for Planning and Construction	\$ 1,500,000	Grant was awarded to the University of Nebraska in the fourth quarter of FY 1986 to plan, construct and equip a veterinary training facility. The funds were made available to Nebraska through Cooperative State Research Service and represent a reallocation of funds originally authorized for the Old West Regional College of Veterinary Medicine. The facility is being planned jointly by Agricultural Research Service and the University of Nebraska. The State of Nebraska is providing matching funds.
<u>Nebraska, Lincoln</u> <u>Old West Regional</u> <u>College of Veterinary</u> <u>Medicine</u>	1983 Plans 1984 Construction 1986 Reprogrammed Total	\$ 827,000 12,050,000 <u>-11,000,000</u> 1,877,000	Funds originally authorized for the establishment of the Old West Regional College of Veterinary Medicine have been reprogrammed. Balance of available funds remain unobligated.
<u>Nebraska, Lincoln and</u> <u>Scottsbluff</u> <u>Food Processing and</u> <u>Marketing Centers</u>	1986 Reprogrammed for Planning and Construction	\$ 5,500,000	Grant was awarded to University of Nebraska during the fourth quarter of FY 1986 to establish the Food Processing and Transportation and Marketing Centers on the campus of the University of Nebraska at Lincoln, Nebraska, and at the Panhandle Research and Extension Center at Scottsbluff, Nebraska. Funds were made available to the University of Nebraska through Cooperative State Research Service and will be matched by Nebraska. These federal funds are a part of the funds originally authorized for the Old West Regional College of Veterinary Medicine.
<u>New York, Plum Island</u> <u>Plum Island Animal</u> <u>Disease Center</u>	1973 Plan 1976 Construction 1977 Reprogrammed 1977 Reprogrammed 1978 Reprogrammed 1981 Construction Total	\$ 250,000 10,000,000 294,000 d/ 700,000 e/ 900,000 f/ <u>\$10,100,000</u> <u>\$22,244,000</u>	The Laboratory additions at the Plum Island Animal Disease Center which were stopped in March 1979 due to contractor default are complete. Consolidation of all laboratory facilities and finishing the existing vaccine research Laboratory building for joint Agricultural Research Service and Animal and Plant Health Inspection Service use is being evaluated.

Status of Construction Projects as of January 1987 (Cont.)

<u>Location and Purpose</u>	<u>Year</u>	<u>Amount of Funds Provided</u>	<u>Description</u>
North Dakota, Fargo <u>Sunflower and Sugarbeet Research Laboratory</u>	1984 Plans 1985 Construction Total	\$ 800,000 9,100,000 \$ 9,900,000	Design was awarded in the second quarter of FY 1985 and completed in the third quarter of FY 1986. Construction was awarded in the fourth quarter of FY 1986 and is scheduled for completion in the second quarter of FY 1988.
Oklahoma, Lane <u>South Central Agricultural Research Center</u>	1983 Plans 1984 Plans and Construction	\$ 350,000 1,575,000 \$ 1,925,000	Design for Phase I was awarded in the second quarter of FY 1984 and completed in the third quarter of 1984. Construction for Phase I was awarded in the fourth quarter of FY 1984 and completed in the second quarter of FY 1986. Phase II design was awarded in the third quarter of FY 1985. Construction was awarded in the first quarter of FY 1986 and completed in the first quarter of FY 1987.
Oregon, Corvallis <u>National Forage Seed Production Research Center</u>	1983 Plans 1984 Construction Total	\$ 750,000 3,200,000 \$ 3,950,000	AE design was awarded in the fourth quarter of FY 1984 and completed in the third quarter of FY 1985. Construction was awarded in the first quarter of FY 1986, and scheduled for completion in the second quarter of FY 1987.
Oregon, Portland <u>Wheat Marketing and Demonstration Laboratory Oregon State University</u>	1987 Construction	\$ 900,000 a/	Construction funds are proposed for rescission.
Pennsylvania, University <u>Park Agricultural Science and Industry Facility, Pennsylvania State University</u>	1986 Feasibility Study 1987 Plans	\$ 47,700 \$ 1,800,000	In Fiscal Year 1986, funds were provided for a feasibility study on construction of an Agricultural Science and Industry facility at Pennsylvania State University. The feasibility study has been completed and the report has been issued to Congress. Planning to be handled through a grant process by Cooperative State Research Service.
Texas, Houston <u>Children's Nutrition Research Center</u>	1984 Plans 1984 Construction Total	\$ 5,500,000 49,000,000 \$54,500,000	AE design was awarded the fourth quarter of FY 1984. Construction for the substructure was awarded in the third quarter of FY 1985 and is essentially complete except for site work. Construction for the superstructure was awarded in the fourth quarter of FY 1986. All work is scheduled for completion the second quarter of FY 1988.

Status of Construction Projects as of January 1987 (Cont.)

<u>Location and Purpose</u>	<u>Year</u>	<u>Amount of Funds Provided</u>	<u>Description</u>
Texas, Lubbock <u>Plant Stress and Water Conservation Laboratory</u>	1978 Feasibility Study 1979 Plans 1984 Plans Total	\$ 100,000 800,000 500,000 \$1,400,000	The project is on hold since a lease agreement for the site has not been finalized and construction funding is not available. Design of the central laboratory is complete. Due to site location changes, design of the headhouse/greenhouse and some necessary redesign to the central laboratory are on hold.
Vermont <u>George D. Aiken Center for Microbiology and Agricultural Science</u>	1987 Construction	\$ 900,000	Construction to be handled through a grant process by the Cooperative State Research Service.
Virginia, Blacksburg <u>Virginia-Maryland Regional College of Veterinary Medicine</u>	1984 Construction 1987 Construction	\$4,500,000 \$ 300,000	Grant was awarded through Federal Grant Funds and Regional State Participant Funds to Virginia Polytechnic Institute and State University to plan and construct a Regional College of Veterinary Medicine. Design was completed in the fourth quarter of Fiscal Year 1984. Construction was awarded in the first quarter of FY 1985, and was completed in the second quarter of FY 1986. Construction to be handled through a grant process by the Cooperative State Research Service.

Footnotes:

- a/ Proposed for rescission.
- b/ Program funds in the amount of \$2,187,000 were reprogrammed to fund additional costs for this project.
- c/ Program funds in the amount of \$1,490,748 were reprogrammed to fund additional costs to purchase building equipment for this project.
- d/ \$194,000 was redirected from the air pollution abatement and sewage treatment project to provide funds for pollution abatement facilities in the animal and laboratory project as originally planned. An additional \$100,000 has been redirected into the animal and laboratory projects from program funding.
- e/ Due to cost escalation and to provide funds to complete facilities as originally planned and designed at the Beckley, West Virginia project and the Plum Island animal and laboratory project, funds in the amount of \$2,209,000, were redirected from Kearneysville, West Virginia. \$1,509,000 was transferred to Beckley and \$700,000 to PIADC.
- f/ Program funds in the amount of \$900,000 were reprogrammed to fund additional costs for this project.

AGRICULTURAL RESEARCH SERVICE

Passenger Motor Vehicles

The 1988 Budget Estimate does not include the purchase of additional passenger motor vehicles above the 472 passenger motor vehicles presently owned.

The passenger motor vehicles of Agricultural Research Service are used almost exclusively by professional research investigators and technical consultants. In the course of their daily work these personnel may need to travel to individual farms, ranches, commercial firms, State agricultural experiment stations, etc. In this type of work a high degree of mobility is required. Use of common carriers is seldom feasible.

It is the policy of ARS to pool the use of motor vehicles for different activities in order to keep the number of vehicles to a minimum and reduce overall costs of maintenance. Monthly vehicle operation reports are required and periodic surveys are made to determine the extent to which vehicles are being used and their condition.

Replacement of passenger motor vehicles.

It is proposed to replace 118 of 472 vehicles (including 8 buses) currently in operation. These vehicles are located at field stations and are used in connection with research studies and technical assistance. All vehicles proposed for replacement have a mileage of more than 60,000 and are more than 6 years of age.

Age and Mileage Data for passenger-carrying vehicles on hand as of September 30, 1986.

<u>Age-Year Model</u>	<u>Number of Vehicles*</u>	<u>Percent of Total</u>	<u>Lifetime Mileage (thousands)</u>	<u>Number of Vehicles*</u>	<u>Percent of Total</u>
1981-older	228	48	80-over	28	6
1982	33	7	60-80	85	18
1983	70	15	40-60	118	25
1984	76	16	20-40	132	28
1985	30	6	Under 20	109	23
1986	<u>35</u>	<u>8</u>			
Total	<u>472</u>	<u>100</u>		<u>472</u>	<u>100</u>

*Includes 6 vehicles used in foreign countries and 8 buses.

Aircraft

There will not be any additional acquisitions or replacement of the seven aircraft owned by ARS in FY 1988. These aircraft are located at College Station, Texas, and Weslaco, Texas. They are used in control methods, application of agricultural materials, infrared and color photography, and evaluating efficiency effects of weather conditions.

COOPERATIVE STATE RESEARCH SERVICE

Purpose Statement

Cooperative State Research Service is the U. S. Department of Agriculture's principal entree to the university system of the United States for the purpose of conducting agricultural research as authorized by the Hatch Act of 1887, as amended (7 U.S.C. 361a-361i); the Cooperative Forestry Research Act of 1962, as amended (16 U.S.C. 582a-7); Public Law 89-106, Section (2), as amended (7 U.S.C. 450i); and the National Agricultural Research, Extension, and Teaching Policy Act of 1977, as amended (7 U.S.C. 3101 et seq.). Through these authorities, the U.S. Department of Agriculture participates with State and other sources of funding to encourage and assist the State institutions in the conduct of agricultural research through the State Agricultural Experiment Stations of the 50 States and the territories; by approved Schools of Forestry; the 1890 Land-Grant Institutions and Tuskegee University; Colleges of Veterinary Medicine; and other eligible institutions.

Cooperative State Research Service participates in a nationwide system of agricultural research program planning and coordination among the State institutions, U.S. Department of Agriculture and the agricultural industry of America. Program coordination and planning are carried out by a Cooperative State Research Service staff located entirely in the Washington, D.C. area. This headquarters unit serves more than 12,000 scientists in the university system of the United States. As of September 30, 1986, there were 146 full-time employees and 20 other than full-time employees.

COOPERATIVE STATE RESEARCH SERVICE

Available Funds and Staff-Years

1986 Actual and Estimated, 1987 and 1988

Item	1986		1987		1988	
	Actual	Staff:	Estimated	Staff:	Estimated	Staff
	Amount	Years	Amount	Years	Amount	Years
Cooperative State Research Service.....	\$286,651,725	143	\$308,532,000	147	\$240,270,000	147
<u>Obligations under other USDA</u>						
<u>appropriations:</u>						
Agricultural Research Service:						
Office of Agricultural						
Biotechnology.....	- -	- -	35,000	- -	- -	- -
Human Nutrition Research &						
Information Service (HNRIS)	10,808	- -	- -	- -	- -	- -
National Pesticide Information						
Retrieval System	10,000	- -	- -	- -	- -	- -
International Food Legume						
Research Conference	3,500	- -	- -	- -	- -	- -
International Plant Molecular						
Biology Conference	5,000	- -	- -	- -	- -	- -
Council for Agricultural Science						
and Technology	12,500	- -	12,500	- -	12,500	- -
Kenaf Demonstration Project	200,000	- -	- -	- -	- -	- -
Evaluation studies	321,560	- -	400,000	- -	400,000	- -
Animal and Plant Health Inspection						
Service:						
National Pesticide Information						
Retrieval System	5,000	- -	- -	- -	- -	- -
Office of Agricultural Biotech-						
nology	- -	- -	35,000	- -	- -	- -
Commodity Credit Corporation:						
International Trade Center	5,000,000	- -	- -	- -	- -	- -
External combustion engine res. .	- -	- -	500,000	- -	- -	- -
Federal Grain Inspection Service,						
National Pesticide Information						
Retrieval System	15,000	- -	- -	- -	- -	- -
Food Safety and Inspection Service,						
Office of Agricultural Biotech-						
nology	- -	- -	20,000	- -	- -	- -
Office of Finance and Management,						
National Pesticide Information....	80,000	- -	- -	- -	- -	- -
Office of the Secretary.....	15,300	- -	- -	- -	- -	- -
Various agencies sharing cost of						
USDA Small Business Innovation						
Research program (SBIR).....	298,299	- -	240,738	- -	252,820	- -
Various research agencies sharing...						
Cost of Current Research						
Information System (CRIS).....	690,000	8	690,000	8	721,500	8
Miscellaneous Reimbursements	2,366	- -	617,837	- -	1,155,955	- -
Total, Other USDA Appropriations	6,669,333	8	2,551,075	8	2,542,775	8
Total Agriculture Appropriations	293,321,058	151	311,083,075	155	242,812,775	155
<u>Other Federal Funds:</u>						
AID-PASA, Nitrogen fixation	374,603	- -	550,225	- -	550,225	- -
AID-PASA, International Research						
Centers	980,871	- -	600,000	- -	600,000	- -
Forest Service:						
Forest research	20,000	- -	20,000	- -	20,000	- -
Atmospheric deposition	22,000	- -	22,000	- -	22,000	- -
National Pesticide Information						
Retrieval System	14,500	- -	- -	- -	- -	- -
Office of Agricultural						
Biotechnology	- -	- -	35,000	- -	- -	- -

Item	1986		1987		1988	
	Actual	Staff:	Estimated	Staff:	Estimated	Staff
	Amount	Years	Amount	Years	Amount	Years
Department of Interior:						
Geological Survey, Atmospheric deposition	\$142,000:	- - :	\$142,000:	- - :	\$142,000:	- -
National Park Service, Atmospheric deposition	10,000:	- - :	10,000:	- - :	10,000:	- -
Bureau of Land Management, Atmospheric deposition	8,000:	- - :	13,000:	- - :	13,000:	- -
Central Intelligence Agency, Plant disease research.....	30,000:	- - :	- - :	- - :	- - :	- -
Department of Defense:						
Grain flow data	20,000:	- - :	- - :	- - :	- - :	- -
Guayule	- - :	- - :	633,700:	- - :	842,000:	- -
Food and Drug Administration, Nutritional improvements in the food supply	100,000:	- - :	- - :	- - :	- - :	- -
Department of Commerce-NOAA, precipitation monitoring network..	13,000:	- - :	13,000:	- - :	13,000:	- -
Miscellaneous reimbursements	- - :	- - :	210,000:	- - :	45,000:	- -
Total, Other Federal Funds	1,734,974:		2,248,925:		2,257,225:	
Total, Cooperative State Research Service	295,056,032:	151 :	313,332,000:	155 :	245,070,000:	155

	1986 Actual	1987 Estimated	1988 Estimated
Full-Time Equivalent Staff-Years:			
Ceiling	148	152	152
Non-ceiling	3	3	3
Total	151	155	155

COOPERATIVE STATE RESEARCH SERVICE

Permanent Positions by Grade and Staff-Year Summary

1986 and Estimated 1987 and 1988

Grade	1986		1987		1988	
	Headquarters	::	Headquarters	::	Headquarters	Headquarters
ES-6	1	::	1	::	1	1
ES-5	1	::	1	::	1	1
ES-4	2	::	2	::	2	2
GS-16	2	::	2	::	2	2
GS/GM-15	30	::	30	::	30	30
GS/GM-14	15	::	15	::	15	15
GS/GM-13	10	::	10	::	10	10
GS-12	10	::	10	::	10	10
GS-11	11	::	11	::	11	11
GS-9	11	::	11	::	11	11
GS-8	1	::	1	::	1	1
GS-7	24	::	24	::	24	24
GS-6	23	::	23	::	23	23
GS-5	17	::	17	::	17	17
GS-4	4	::	4	::	4	4
GS-3	3	::	3	::	3	3
GS-2	1	::	1	::	1	1
Total Permanent Positions	166	::	166	::	166	166
Staff-Years:		::		::		
Ceiling	148	::	152	::	152	152
Non-Ceiling	3	::	3	::	3	3
Total	151	::	155	::	155	155

COOPERATIVE STATE RESEARCH SERVICECLASSIFICATION BY OBJECTS1986 and Estimated 1987 and 1988

	<u>1986</u>	<u>1987</u>	<u>1988</u>
Personnel Compensation:			
Headquarters.....	\$4,492,784	\$4,978,000	\$5,009,000
Field	- -	- -	- -
11 Total Personnel Compensation	4,492,784	4,978,000	5,009,000
12 Personnel Benefits	530,486	685,000	980,000
13 Benefits for former personnel.....	3,542	4,000	4,000
Total Pers. Comp. & Benefits	5,026,812	5,667,000	5,993,000
Other Objects:			
21 Travel	652,887	704,000	1,079,000
22 Transportation of things...	36,021	32,000	33,000
23.3 Communications, utilities and miscellaneous charges	885,395	778,000	341,000
24 Printing and reproduction..	138,084	168,000	174,000
25 Other services	3,468,450	3,309,000	1,347,000
26 Supplies and materials	240,994	144,000	149,000
31 Equipment	322,761	156,000	161,000
41 Grants, subsidies and contributions.....	275,880,321	297,574,000	230,993,000
Total other objects	281,624,913	302,865,000	234,277,000
Total direct obligations	286,651,725	308,532,000	240,270,000
<u>Position Data:</u>			
Average Salary, ES positions ...	\$70,050	\$72,200	\$72,200
Average Salary, GS/GM positions..	\$33,761	\$34,772	\$34,772
Average Grade, GS/GM positions..	9.80	9.80	9.80

COOPERATIVE STATE RESEARCH SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Cooperative State Research Service:

- For payments to agricultural experiment stations, for cooperative forestry and other research, for facilities, and for other expenses, including [\$148,792,000] \$155,545,000 to carry into effect the provisions of the Hatch Act, approved March 2, 1887, as amended by the Act approved August 11, 1955 (7 U.S.C. 361a-361i), and further amended by Public Law 92-318 approved June 23, 1972, and further amended by Public Law 93-471 approved October 26, 1974, including administration by the United States Department of Agriculture, and penalty mail costs of agricultural experiment stations under section 6 of the Hatch Act of 1887, as amended, and payments under section 1361(c) of the Act of October 3, 1980 (7 U.S.C. 301n.); [\$12,412,000] \$12,975,000 for grants for cooperative forestry research under the Act approved October 10, 1962 (16 U.S.C. 582a--582a-7), as amended by Public Law 92-318 approved June 23, 1972, including administrative expenses, and payments under section 1361(c) of the Act of October 3, 1980 (7 U.S.C. 301n.); [\$22,320,000] \$23,333,000 for payments to the 1890 land-grant colleges, including Tuskegee University, for research under section 1445 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (Public Law 95-113), as amended, including administration by the United States Department of Agriculture, and penalty mail costs of the 1890 land-grant colleges, including Tuskegee University;
- 1 [\$28,037,000 for contracts and grants for agricultural research under the Act of August 4, 1965, as amended (7 U.S.C. 450i); \$40,651,000] \$44,500,000 for
 - 2 competitive research grants, including administrative expenses; [\$5,476,000 for the support of animal health and disease programs authorized by section 1433 of Public Law 95-113, including administrative expenses; \$20,368,000 for grants for research and for construction of facilities to conduct research pursuant to the Critical Agricultural Materials Act of 1984 (7 U.S.C. 178) and section 1472 of the Food and Agriculture Act of 1977, as amended (7 U.S.C. 3318), to remain available until expended; \$475,000 for rangeland research grants as authorized by subtitle M of the National Agricultural Research, Extension, and Teaching Policy Act of 1977, as amended; \$9,508,000 for grants to upgrade 1890 land-grant college research facilities as authorized by section 1433 of Public Law 97-98, as amended, to remain available until expended; \$4,754,000] \$2,000,000 for higher education [strengthening] grants under section 1417(a) of Public Law 95-113, as amended (7 U.S.C. 3152(a));
 - 3 [\$3,000,000 for grants as authorized by section 1475 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977; \$2,000,000 for grants as authorized by section 1411 of Public Law 99-198, to remain available until expended;] and [\$2,630,000] \$1,917,000 for necessary expenses of Cooperative State Research Service activities, including coordination and program leadership for higher education work of the Department, administration of payments to State agricultural experiment stations, funds for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$100,000 for employment under 5 U.S.C.
 - 4 3109; in all, [\$300,573,000] \$240,270,000. Provided, That no funds shall be available in fiscal year 1988 for payments under the Act of August 30, 1890 and the tenth and eleventh paragraphs under the heading "Emergency Appropriations." of the Act of March 4, 1907 (7 U.S.C. 321 et seq.).

The first change deletes language for contracts and grants for agricultural research. No funding is proposed for the Special Research Grants program in fiscal year 1988.

The second change deletes language for animal health and disease research program authorized by section 1433 of Public Law 95-113, research and construction authorized by the Critical Agricultural Materials Act of 1984, rangeland research grants as authorized by subtitle M of Public Law 95-113, as amended, and the 1890 research facilities program. No funding is proposed for these programs in fiscal year 1988.

The third change deletes language for grants for the aquaculture centers as authorized by section 1475 of P.L. 95-113 and grants for research facilities as authorized by section 1411 of P.L. 99-198. No funding is proposed for these programs in fiscal year 1988.

The fourth change would provide language to override the Morrill-Nelson Permanent Appropriation. No funding is proposed for this program in fiscal year 1988. Higher education in the food and agricultural sciences at land-grant institutions has been supported through a permanent appropriation in the Second Morrill Act of 1890.

COOPERATIVE STATE RESEARCH SERVICE

Appropriations Act, 1987	\$303,373,000
Budget Estimate, 1988	240,270,000
Decrease in Appropriation	<u>-63,103,000</u>

Adjustments in 1987:

Appropriations Act, 1987	\$303,373,000
Activities transferred from the Agricultural Research Service for the Office of Grants and Program Systems <u>a/</u>	+397,000
Activities transferred from the Extension Service for the Office of Grants and Program Systems <u>a/</u>	+253,000
Activities transferred from the National Agricultural Library for the Office of Grants and Program Systems <u>a/</u>	+9,000
Activities transferred from the Forest Service for Forestry Competitive Research Grants <u>b/</u>	+4,500,000
Adjusted base for 1987	308,532,000
Budget Estimate, 1988	240,270,000
Decrease from adjusted 1987	<u>-68,262,000</u>

a/ Pursuant to Secretary's Memorandum No. 1020-26, dated July 1, 1986, the functions of the Office of Grants and Program Systems (OGPS) were transferred to Cooperative State Research Service. Activities of OGPS were partially financed on a reimbursable basis. On a comparable basis the full annual cost of the portion financed on a reimbursable basis including pay costs is \$659,000 for 1987 and \$680,000 for 1988.

b/ Pursuant to Secretary's Memorandum No. 1030-18, dated November 26, 1986, the Forestry Competitive Grants program was transferred to this account from the Forest Service-Forest Research account. Actual transfer of funds of \$6,000,000 is authorized in 1987. On a comparable basis the full annual cost of the activity including pay costs is \$6,000,000 for 1987 and no funding is requested for 1988. A deferral of \$1,500,000 is currently pending.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>1987 Estimated</u>	<u>Pay Cost and FERS</u>	<u>Program Changes</u>	<u>1988 Estimated</u>
Payments under the Hatch Act ..	\$148,792,000	- -	+\$6,753,000	\$155,545,000
Cooperative forestry research .	12,412,000	- -	+563,000	12,975,000
Payments to 1890 colleges and Tuskegee University	22,320,000	- -	+1,013,000	23,333,000
Special research grants	52,030,000	- -	-52,030,000	- -
Competitive research grants ...	40,651,000	- -	+3,849,000	44,500,000
Animal health and disease research, section 1433	5,476,000	- -	-5,476,000	- -
Federal administration (direct appropriation)	3,289,000	+\$587,000	-1,959,000	1,917,000
1890 Research Facilities	9,508,000	- -	-9,508,000	- -
Higher Education	7,554,000	- -	-5,554,000	2,000,000
Research Facilities Act	2,000,000	- -	-2,000,000	- -
Forestry competitive grants ...	4,500,000	- -	-4,500,000	- -
TOTAL AVAILABLE	<u>308,532,000</u>	<u>+587,000</u> <u>a/</u>	<u>-68,849,000</u>	<u>240,270,000</u>

a/ Includes an increase of \$190,000 for pay increases effective in FY 1987 and \$397,000 for increased costs associated with FERS.

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1986 Actual	1987 Estimated		1988 Estimated	
	Amount	Staff: Years	Amount	Staff: Years	Amount
1. Hatch Act:					
Research program:					
Formula funds	\$109,174,886:		\$109,752,188:	+\$5,189,760	\$114,941,948:
Regional research.	34,370,313:		34,370,313:	+1,802,000	36,172,313:
Subtotal	143,545,199:		144,122,501:	+6,991,760	151,114,261:
Penalty Mail	495,198:		455,000:	-455,000	- :
Federal Admin. (3%)	4,210,168:		4,214,499:	+216,240	4,430,739:
Total	148,250,565:	66	148,792,000:	+6,753,000(1)	155,545,000:
2. Cooperative forestry research:					
Research program ..	12,039,640:		12,039,640:	+546,110	12,585,750:
Federal Admin. (3%)	372,360:		372,360:	+16,890	389,250:
Total	12,412,000:	4	12,412,000:	+563,000(2)	12,975,000:
3. Payments to 1890 colleges and Tuskegee University:					
Research program ..	21,650,400:		21,650,400:	+982,610	22,633,010:
Federal Admin. (3%)	669,600:		669,600:	+30,390	699,990:
Total	22,320,000:	8	22,320,000:	+1,013,000(3)	23,333,000:
4. Special research grants:					
Soil erosion in Pacific Northwest.	591,000:		591,000:	-591,000	- :
Dried bean research, North Dakota	48,000:		75,000:	-75,000	- :
Food systems research group, Wisconsin .	148,000:		148,000:	-148,000	- :
Integrated pest management	2,940,000:		2,940,000:	-2,940,000	- :
Pesticide clearance	1,369,000:		1,369,000:	-1,369,000	- :
Minor use animal drugs	229,000:		229,000:	-229,000	- :
Pesticide impact assessment	1,968,000:		1,968,000:	-1,968,000	- :
Rural development centers	363,000:		363,000:	-363,000	- :
Soybean cyst nematode, Missouri ...	285,000:		285,000:	-285,000	- :
Bean and beet research, Michigan .	93,000:		93,000:	-93,000	- :
Animal health research	5,705,000:		5,705,000:	-5,705,000	- :
Aquaculture, Stoneville, Mississippi	400,000:		400,000:	-400,000	- :
Dairy & beef photo-period, Michigan .	33,000:		33,000:	-33,000	- :
Aquaculture research	285,000:		485,000:	-485,000	- :
Germplasm resources	951,000:		- :	- :	- :
Peach tree short life, South Carolina:	183,000:		183,000:	-183,000	- :
Blueberry shoestring virus, Michigan ..	92,000:		92,000:	-92,000	- :
Mosquito research, riceland agroecosystem	456,000:		456,000:	-456,000	- :
TCK smut (wheat) ..	343,000:		193,000:	-193,000	- :
Sunflower insects, North Dakota and South Dakota	190,000:		190,000:	-190,000	- :
Tropical & sub-tropical research.	3,091,000:		3,091,000:	-3,091,000	- :
Dairy goat research, Prairie View A&M, Texas	95,000:		95,000:	-95,000	- :
Sugarland use research, Hawaii .	142,000:		142,000:	-142,000	- :
Integrated production systems, Oklahoma	238,000:		188,000:	-188,000	- :

Project	1986 Actual		1987 Estimated		Increase or Decrease	1988 Estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
Preservation and pro- cessing, Oklahoma	\$142,000		\$242,000		-\$242,000	- -	
Potato research ...	761,000		761,000		-761,000	- -	
Asparagus yield decline, Michigan.	95,000		95,000		-95,000	- -	
Biocontrol of grass- hoppers, Kansas ..	48,000		48,000		-48,000	- -	
Wool research, Texas	142,000		142,000		-142,000	- -	
Agricultural Policy Institute, Iowa & Missouri	357,000		357,000		-357,000	- -	
Biomass from dairy processing waste, Missouri	285,000		285,000		-285,000	- -	
Stone fruit decline, Michigan	285,000		285,000		-285,000	- -	
EDB replacement, Hawaii	285,000		285,000		-285,000	- -	
Integrated reproduc- tion management, Nebraska	95,000		95,000		-95,000	- -	
Cranberry/blueberry disease & breeding, New Jersey	95,000		95,000		-95,000	- -	
Alternative crop- ping systems in the Southeast	285,000		285,000		-285,000	- -	
Maple research, Vermont	95,000		95,000		-95,000	- -	
Wood utilization ..	2,852,000		2,852,000		-2,852,000	- -	
Fort Stanton Experi- mental Station re- location, New Mexico	1,200,000		- -		- -	- -	
Warmwater aquaculture: Mississippi.....	200		- -		- -	- -	
Apple quality re- search, Michigan .	95,000		95,000		-95,000	- -	
Aquaculture planning grant, Hawaii	142,000		- -		- -	- -	
Fruit & vegetable production & market- ing, Kentucky	142,000		142,000		-142,000	- -	
Plant stress, New Mexico, California, and Texas	285,000		385,000		-385,000	- -	
Milk consumption, Pennsylvania	285,000		285,000		-285,000	- -	
International live- stock program, Kansas	95,000		95,000		-95,000	- -	
Stored grain insects, Kansas	285,000		285,000		-285,000	- -	
Dark-end syndrome of potatoes	- -		150,000		-150,000	- -	
Multi-cropping strategies for aquaculture, Hawaii	- -		152,000		-152,000	- -	
Prime farmland re- clamation	- -		300,000		-300,000	- -	
Belgium endive	- -		60,000		-60,000	- -	
Remote sensing, Univ. of Kansas	- -		191,000		-191,000	- -	
Acid precipitation.	- -		661,000		-661,000	- -	
Federal Admin. (4%)	(1,143,760)		(1,121,480)		(-1,121,480)	(- -)	
Total	28,589,200		28,037,000		-28,037,000	- -	- -

Project	1986 Actual		1987 Estimated		Increase or Decrease	1988 Estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
Critical Agricultural Materials Act of 1984: Research and Const- ruction program...	\$1,108,710		\$19,756,960		-\$19,756,960	- -	
Federal Admin. (3%)	34,290		611,040		-611,040	- -	
Total	1,143,000		20,368,000		-20,368,000	- -	
Rangeland research grants (Subtitle M, P.L. 97-98):							
Research program ..	460,750		460,750		-460,750	- -	
Federal Admin. (3%)	14,250		14,250		-14,250	- -	
Total	475,000		475,000		-475,000	- -	
Aquaculture centers, section 1475:							
Research program ..	- -		2,910,000		-2,910,000	- -	
Federal Admin. (3%)	- -		90,000		-90,000	- -	
Total	- -		3,000,000		-3,000,000	- -	
Other research grants, section 1472:							
Research program ..	- -		145,500		-145,500	- -	
Federal Admin. (3%)	- -		4,500		-4,500	- -	
Total	- -		150,000		-150,000	- -	
5.Competitive research grants:	30,207,200	17	52,030,000	17	-52,030,000(4)	- -	- -
Plant science.....	13,787,000		12,126,000		+3,358,000	\$15,484,000	
Soybean research ..	(493,000)		(493,000)		(-493,000)	(- -)	
Acid precipitation	(661,000)		(- -)		(- -)	(- -)	
Alcohol fuels	(514,000)		(514,000)		(-514,000)	(- -)	
Human nutrition ...	2,377,000		2,377,000		+623,000	3,000,000	
Animal science	4,279,000		4,279,000		+2,721,000	7,000,000	
Brucellosis	(475,000)		(475,000)		(-475,000)	(- -)	
Reproductive effi- ciency	(2,377,000)		(2,377,000)		(-2,377,000)	(- -)	
Pest science	2,853,000		2,853,000		-2,853,000	- -	
Gypsy moths	(951,000)		(951,000)		(-951,000)	(- -)	
Boll weevil/boll worm	(951,000)		(951,000)		(-951,000)	(- -)	
Pine bark beetle .	(951,000)		(951,000)		(-951,000)	(- -)	
Biotechnology (animal and plant)	19,016,000		19,016,000		- -	19,016,000	
Federal A in. (4%)	(1,692,480)		(1,626,040)		(+153,960)	(1,780,000)	
Total	42,312,000	39	40,651,000	42	+3,849,000(5)	44,500,000	48
6.Animal health and disease research, section 1433:							
Research program ..	5,256,960		5,256,960		-5,256,960	- -	
Federal Admin. (4%)	219,040		219,040		-219,040	- -	
Total	5,476,000	2	5,476,000	2	-5,476,000(6)	- -	- -
7.Federal administra- tion (direct appro.):							
Gulf Coast shrimp aquaculture	1,236,000		1,736,000		-1,736,000	- -	
Mississippi Valley State University .	- -		750,000		-750,000	- -	
Northern Marianas .	70,000		70,000		-70,000	- -	
Ag in Classroom ...	76,000		74,000		-74,000	- -	
Office of Agricul- tural Biotechnology:	- -		- -		+250,000	250,000	
Peer panels	- -		- -		+400,000	400,000	
Office of Grants and Program Systems ..	541,000		659,000		+21,000	680,000	
Federal Employee Retirement System.	- -		- -		+397,000	397,000	
Pay costs	- -		- -		+190,000	190,000	
Other	183,000		- -		- -	- -	
Total	2,106,000	2	3,289,000	5	-1,372,000(7)	1,917,000	3

Project	1986 Actual		1987 Estimated		Increase or Decrease	1988 Estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Year
8.1890 Research Facilities:							
Construction program:	\$9,127,680		\$9,127,680		-\$9,127,680	- -	
Federal Admin. (4%)	380,320		380,320		-380,320	- -	
Total	9,508,000	- -	9,508,000	- -	-9,508,000(8)	- -	- -
9. Higher Education:							
Morrill-Nelson Funds:							
(Permanent Appropriation)	2,800,000		2,800,000		-2,800,000	- -	
Graduate Training Grants	2,852,000		2,852,000		-2,852,000	- -	
Strengthening Grants:							
1890 Colleges	1,902,000		1,902,000		+98,000	\$2,000,000	
Federal Admin. (3%)	(142,620)		(142,620)		(-82,620)	(60,000)	
Total	7,554,000	5	7,554,000	5	-5,554,000 (9)	2,000,000	5
10. Forestry competitive grants:							
Research program .	6,245,722		4,320,000		-4,320,000	- -	
Federal Admin. (4%)	260,238		180,000		-180,000	- -	
Total	6,505,960	- -	4,500,000	- -	-4,500,000(10)	- -	- -
11. Research Facilities:							
Act:							
Construction program:	- -		1,940,000		-1,940,000	- -	
Federal Admin. (3%)	- -		60,000		-60,000	- -	
Total	- -	- -	2,000,000	- -	-2,000,000(11)	- -	- -
Total obligations	286,651,725	143	308,532,000	147	-68,262,000	240,270,000	147
Unobligated Balances:							
Lapsing	541,435	- -	- -	- -	- -	- -	- -
Available, start of year	-1,200,200	- -	- -	- -	- -	- -	- -
Total available or estimate	285,992,960	143	308,532,000	147	-68,262,000	240,270,000	147
Transfer from Agricultural Research Service:	-341,000		-397,000				
Transfer from Extension Service	-193,000		-253,000				
Transfer from National Agricultural Library:	-7,000		-9,000				
Transfer from Forest Service	-6,505,960		-4,500,000				
Total, appropriation .	278,946,000	143	303,373,000	147			

EXPLANATION OF PROGRAM

Appropriations for the Cooperative State Research Service activities are authorized under the following Acts:

1. Payments to agricultural experiment stations under the Hatch Act, and for penalty mail - Agricultural Experiment Stations Act of August 11, 1955, Hatch Act of 1887 as amended - 7 U.S.C. 361a-361i; Public Law 92-318; Public Law 93-471; Public Law 95-113, as amended; Public Law 95-134; Public Law 96-205; Public Law 96-374; Public Law 96-597; Public Law 97-98; Public Law 98-213; Public Law 98-454; Public Law 99-198; Public Law 99-396.

Funds under the Hatch Act are allocated to the State agricultural experiment stations of the 50 States, District of Columbia, Puerto Rico, Guam, the Virgin Islands, Micronesia, American Samoa and Northern Marianas for research to promote a sound and prosperous agriculture and rural life. The Hatch Act provides that the distribution of Federal payments to States for fiscal year 1955 shall become a fixed base and that any sums appropriated in excess of the 1955 level shall be distributed in the following manner:

- 20% shall be allotted equally to each State.
- not less than 52% shall be allotted to the States as follows:
 - one-half in an amount proportionate to the relative rural population of each State to the total rural population of all States, and
 - one-half in an amount proportionate to the relative farm population of each State to the total farm population of all States.
- not more than 25% shall be allotted to the States for cooperative research in which two or more State agricultural experiment stations are cooperating to solve problems that concern the agriculture of more than one State.
- 3% shall be available to the Secretary of Agriculture for the administration of this Act.

The Act also provides that any amount in excess of \$90,000 available for allotment to any State, exclusive of the regional research fund, shall be matched by the State out of its own funds available for research, and for the establishment and maintenance of facilities necessary for the performance of such research. Also, in the case of Guam, the Virgin Islands, Micronesia, Northern Marianas and American Samoa, agencies are required by law to waive any requirement for local matching funds under \$200,000.

The Hatch Act provides for the mailing under penalty indicia by agricultural experiment stations of bulletins, reports, periodicals, reprints of articles, and other publications, including lists of publications necessary for dissemination of results of research. Mailings include not only those to individual farmers upon request but also to newspapers, libraries, other experiment stations, and organizations interested in results of research and dissemination of such results. Under Title 39 U.S.C. 3206(b) and 3203(a)(4), the Department paid to the U.S. Postal Service \$489,510 to cover postage of mail sent under the penalty privilege by the State agricultural experiment stations during fiscal year 1986. Funds of \$455,000 have been set-aside from the fiscal year 1987 appropriation under the Hatch Act for payments to the U.S. Postal Service.

Three percent of funds appropriated under the Hatch Act is set-aside for Federal administration. Administration includes disbursement of funds and a continuous review and evaluation of the research programs of the State agricultural experiment stations supported wholly or in part from Hatch funds. The Cooperative State Research Service encourages and assists in the establishment of cooperation within and between the States, and also actively participates in the planning and coordination of research programs between the States and the Department at the regional and national levels.

2. Cooperative Forestry Research - The Cooperative Forestry Research Act of October 10, 1962, 16 U.S.C. 582a-7; Public Law 92-318; Public Law 96-374; Public Law 97-98; Public Law 99-198.

The Act authorizes funding of research in State institutions certified by a State representative designated by the governor of each State. The Act provides that appropriated funds be apportioned among States as determined by the Secretary after consultation with a national advisory council of not fewer than sixteen members representing Federal and State agencies concerned with developing and utilizing the Nation's forest resources, the forest industries the forestry schools of the State-certified eligible institutions, State agricultural experiment stations, and volunteer public groups concerned with forests and related natural resources. Determination of apportionments follows consideration of pertinent factors including areas of non-Federal commercial forest land, volume of timber cut from growing stock, and the non-Federal dollars expended on forestry research in the State. The Act also provides that payments must be matched by funds made available and budgeted from non-Federal sources by the certified institutions for expenditure for forestry research. Three percent of funds appropriated under this Act is set-aside for Federal administration.

3. Payments to 1890 Colleges and Tuskegee University - The National Agricultural Research, Extension, and Teaching Policy Act of 1977, Section 1445, Public Law 95-113; Public Law 95-547; Public Law 97-98; Public Law 99-198.

Public Law 95-113, as amended, provides for support of continuing agricultural research at colleges eligible to receive funds under the Act of August 30, 1890, including Tuskegee University. Beginning with fiscal year 1979, there shall be appropriated funds for each fiscal year, an amount not less than 15% of the total for such year under Section 3 of the Act of March 2, 1887. Distribution of payments made available under section 2, Act of August 4, 1965, for fiscal year 1978 are a fixed base and sums in excess of the 1978 level shall be distributed as follows:

- 3% shall be available to the Secretary of Agriculture.
- Payments to States in fiscal year 1978 is a fixed base. Of funds in excess of this amount:
 - 20% shall be allotted equally to each State.
 - 40% shall be allotted in an amount proportionate to the rural population of the State in which the eligible institution is located to the total rural population of all the States in which eligible institutions are located, and
 - 40% shall be allotted in an amount proportionate to the farm population of the State in which the eligible institution is located to the total farm population of all the States in which eligible institutions are located.

Allotments to Tuskegee University and Alabama A&M University shall be determined as if each institution were in a separate State. Three percent of the funds appropriated under this Act is set aside for Federal administration. This includes disbursements of funds and review and evaluation of proposals.

4. Special Research Grants - Section 2(c), Act of August 4, 1965, 7 U.S.C. 450i as amended by Public Law 95-113; Public Law 97-98; Public Law 98-284; Public Law 99-198.

Section 2 of the Act of August 4, 1965, as amended, authorizes Special Research Grants for periods not to exceed five years to land-grant colleges

and universities, research foundations established by land-grant colleges and universities, State agricultural experiment stations, and to all colleges and universities having a demonstrable capacity in food and agriculture research, to carry out research to facilitate or expand promising breakthroughs in areas of the food and agricultural sciences of importance to the Nation; and to State agricultural experiment stations, land-grant colleges and universities, research foundations established by land-grant colleges and universities, colleges and universities receiving funds under the Act of October 10, 1962, and accredited schools or colleges of veterinary medicine to facilitate or expand ongoing State-Federal food and agricultural research. Special Research Grants are awarded on the discretionary basis as well as using a competitive peer panel process in the selection of proposals to be funded.

Research grants are also awarded under the Critical Agricultural Materials Act, Public Law 98-284. Rangeland Research Grants are awarded in accordance with subtitle M of Public Law 97-98. Grants are awarded to aquaculture centers under section 1475(d) of Public Law 95-113 as amended. Other research grants are awarded under section 1472 of Public Law 95-113 as amended.

5. Competitive Research Grants - Section 2(b), Act of August 4, 1965, 7 U.S.C. 450i as amended by Public Law 95-113; Public Law 97-98; Public Law 99-198, December 23, 1985.

Section 2 of the Act of August 4, 1965, as amended, authorizes Competitive Research Grants for periods not to exceed five years to State agricultural experiment stations, all colleges and universities, other research institutions and organizations, Federal agencies, private organizations or corporations, and individuals to further the programs of the Department of Agriculture. By obtaining the participation of outstanding researchers in the entire U.S. scientific community, emphasis will be placed on basic research critical to food production and human nutrition including biological stress of plants, genetic mechanisms of plants, plant nitrogen fixation, plant photosynthesis, human nutrient requirements, animal science, pest science and biotechnology.

6. Animal Health and Disease Research - The National Agricultural Research, Extension, and Teaching Policy Act of 1977, Section 1433, Public Law 95-113, Public Law 97-98; Public Law 99-198.

Section 1433 provides for support of livestock and poultry disease research in accredited schools or colleges of veterinary medicine or State agricultural experiment stations that conduct animal health and disease research. These funds shall be distributed as follows:

- 4% shall be retained by the Department of Agriculture for administration, program assistance to the eligible institutions, and program coordination.
- 48% shall be distributed in an amount proportionate to the value of and income to producers from domestic livestock and poultry in each State to the total value of and income to producers from domestic livestock and poultry in all the States.
- 48% shall be distributed in an amount proportionate to the animal health research capacity of the eligible institutions in each State to the total animal health research capacity in all the States.

Eligible institutions must provide non-Federal matching funds in States receiving annual amounts in excess of \$100,000 under this authorization.

7. Federal Administration (direct appropriation) - Authority for direct appropriations is provided in the annual Agriculture, Rural Development, and Related Agencies Appropriations Act. These funds are used to provide support services in connection with research planning and coordination of all programs administered by Cooperative State Research Service.
8. Grants to Upgrade 1890 Land-Grant College Research Facilities. National Agricultural Research, Extension, and Teaching Policy Act Amendments of 1981, Section 1433, Public Law 97-98; Public Law 99-198.

Section 1433 of the Act authorizes \$50 million over a five year period ending September 30, 1987, for grants to the institutions eligible to receive funds under the Act of August 30, 1890, including Tuskegee University, for the acquisition and improvement of research facilities and equipment. Four percent of the sums appropriated shall be available to the Secretary for administration of the grant program. The remaining funds shall be available for grants to the eligible institutions for the purpose of assisting them in the purchase of equipment and land, and the planning, construction, alteration, or renovation of buildings to strengthen their capacity to conduct research in the food and agricultural sciences.

9. Higher Education. The National Agricultural Research, Extension, and Teaching Policy Act of 1977, Section 1417, Public Law 95-113, as amended.

Higher Education-Strengthening Grants pursuant to Section 1417(a)(2)(A) support resident instruction programs at historically black land-grant institutions and Tuskegee University. Higher Education-Graduate Training Grants (Graduate Fellowships) pursuant to Section 1417(a)(3)(B) are awarded on a competitive basis to colleges and universities to conduct graduate training programs to stimulate the development of food and agricultural scientific expertise in targeted national need areas.

Higher education in the food and agricultural sciences at the land-grant institutions is also supported through a permanent appropriation in the Second Morrill Act of 1890.

10. Forestry Competitive Grants. Forest and Rangeland Renewable Resources Research Act of 1978, Section 5, Public Law 95-307.

Section 5 of the Act authorizes competitive grants related to forest and rangeland renewable resources to Federal, State, and other governmental agencies, public or private agencies, institutions, universities, and organizations, and businesses and individuals in the United States. Emphasis is placed on basic research in the areas of harvesting, wood utilization and forest biology.

11. Research Facilities. The Research Facilities of July 22 1963, Public Law 88-74; as amended by Public Law 95-113; Public Law 97-98; Public Law 99-198.

The Act supports agricultural research at eligible institutions through Federal-grant funds on a matching fund basis to help finance physical facilities and equipment as required for the effective conduct of agricultural research and related academic programs. The purpose of this Act is to assist eligible institutions in the construction, acquisition, and remodeling of buildings, laboratories, and other capital facilities (including the acquisition of fixtures and equipment) which are necessary to more effectively conduct research.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$6,753,000 for payments to State Agricultural Experiment Stations under the formula provisions of the Hatch Act for research on restoring agricultural profitability (\$148,792,000 available in 1987).

Need for Change. Research enhances the competitiveness of American agriculture and represents an investment in the future of the agricultural industry. In recent years, the rapid change in economic, market and tax policies have added to the high risk in agriculture. The avenues for improving agricultural profitability are to improve the efficiency of production, to reduce the cost of input goods and services, to expand domestic markets, and to recover declining export markets. The price received for produce is beyond the control of individual producers, and is influenced by National policy. Reduced agricultural producer income has adversely affected many agribusinesses and resulted in structural changes that, in turn, exacerbate the producers' plight. Marketing outlets for produce are disappearing, being replaced by larger, centralized markets which further reduce market competition. The obvious immediate option open to individual producers is to increase economic efficiency by achieving the highest productivity possible for the least cost. This is not a long-term solution to the problem for commodities whose production exceeds demand. There is need to continue to maintain and improve the technological base for biological productivity; reduce processing, marketing and distribution costs; develop and improve the assessment of foreign and domestic markets and changes in market demand; and to evaluate alternative actions and emerging technologies such as biotechnology for developing policies to assist producers and rural communities in the transition between changing production and demand.

Nature of Change. Research in the present critical agricultural economy must concentrate on those technologies that maintain or increase efficiency, reduce input costs, decrease losses and improve product quality. Increased funds will accelerate research on: reducing operating costs by reducing tillage requirements; reducing the cost of providing essential nutrients to both plants and livestock by providing the exact amounts required when needed to achieve maximum efficiency; and developing new crop varieties and breeds of livestock that are more efficient by virtue of improved pest resistance, and inherent productivity. Biotechnology will contribute to profitability, especially in the detection of diseases and reduction of crop and livestock losses. The development of technology which combines production operations into interactive systems will provide producers a rationale for economical selection among alternative courses of action for maximum profitability. Efficiency of current processes such as irradiation, extrusion processing, puffing, microwave, thermal, and aseptic processing and packaging and dehydration will be further improved. The feasibility of expanding development of innovative or alternative technology, including biotechnology and emerging technologies such as continuous fermentation, enzymatic conversions of biomass, and applications of computer process controls and robotics will be explored. Research to evaluate different production and marketing strategies under conditions of variable inflation, interest rates, input prices, commodity prices and high levels of leverage will help producers survive under the present turbulent conditions.

In 1988, the Cooperative State Research Service is proposing to discontinue the use of the Penalty Mail program under the Hatch Act and redistribute the funds to the States for their research program. The limited and uneven use of penalty mail among the State Agricultural Experiment Stations and the burdensome report requirements were major factors leading to this proposal. The State Agricultural Experiment Stations have been informed of this proposal and at this time have not expressed any objections to this change.

- (2) An increase of \$563,000 for payments to States under the formula provisions of the Cooperative Forestry Research program for research on restoring agricultural profitability (\$12,412,000 available in 1987).

Need for Change. Introduction of fiber based boards and new methods of utilizing hardwoods for pulp have increased the value of little used forest species and residues in some markets. However, forest biomass in some parts of the country has insufficient value to support a viable industry. Improved technology is needed for the profitable use of low value timber and timber residues. Research extending this concept offers the opportunity to increase value added, reduce waste, and use forest lands more effectively as a source of economic growth. Regeneration is one key to enhanced profitability of many forest lands. Technologies to effectively and economically renew the forest with trees of marketable species are needed for regeneration following harvest, or destruction by insects, fire, or disease. Such technology is also essential for facilitating the use of genetically improved trees and more useful species in future forest stands.

Nature of Change. The inherent characteristics of formula funding provide the opportunity for long range planning and research emphasizing State and regional adaptation. Such research would concentrate on utilizing marginal forest stands and logging residues even though different approaches would be developed for the various areas concentrating on the unique regional attributes. Research on improved regeneration technology, while not unique to current commercial timber producing regions, varies greatly with the plants being established and a milieu of environmental characteristics and is an appropriate correlary for work on the use of low value species. Additional work on regeneration and establishment will be undertaken by plant physiologists and geneticists, as well as engineers and economists, to improve our ability to successfully and profitably regenerate our forest stands.

- (3) An increase of \$1,013,000 at the 1890 Land-Grant Colleges and Tuskegee University for research on increasing agricultural profitability (\$22,320,000 available in 1987).

Need for Change. Many of the nations's farms are classified as small farms and these farms in recent years have suffered great financial stress. There is a need to research production strategies which aim to lower production costs. Farmers need the benefits of research on a sustaining basis to help them develop management approaches aimed at regaining agricultural profitability. Costs of agricultural production inputs have increased more rapidly than farm cash receipts. Thus, it is imperative that production costs be reduced by developing new management schemes and new technologies that will reduce input costs and stabilize production. Marketing strategies are also needed to reduce risk and stabilize price fluctuations.

Nature of Change. Research will concentrate on crop and livestock management systems to reduce environmental stress and lower the cost of pest protection. Studies such as diversified cropping systems for small farms, and use of alternative crops for supplying nutrients, controlling pests and improving profitability will be conducted. Market research will focus on the development of markets that can better serve small farmers and will look at new or alternative institutional arrangements and management strategies that will enhance market stability.

- (4) A decrease of \$52,030,000 for Special Research Grants, Critical Agricultural Materials Act, Rangeland Research Grants, Aquaculture Centers and Other Research Grants (\$52,030,000 available in 1987).

Need for Change. These grants programs have concentrated on problems of national and local interest beyond the normal emphasis in the formula programs. The Hatch Act formula and related base funded programs constitute the core of the State-Federal research partnership and, when put together with State funding, provide the basic laboratory facilities, scientists, graduate students, and support necessary for the long term stability of agricultural research. Thus, these base programs become the highest priority of the State-Federal research partnership. Therefore, the base programs have been increased in FY 1988 and this reduction is proposed in line with the Administration's overall reductions in Federal spending.

Nature of Change. This change will eliminate this specific funding support for these programs. Due to the discretionary nature of the Hatch Act formula and related base funded programs, amounts allotted to State institutions permit the institutions to fund research in those areas that they identify as high priority. This flexibility could provide for maintaining some of the programs if the State institutions wish to continue the research.

- (5) A net increase of \$3,849,000 for Competitive Research Grants (\$40,651,000 available in 1987) consisting of:

- (a) An increase of \$3,358,000 for Competitive Research Grants for plant science research (\$12,126,000 available in 1987).

Need for Change. Target areas in the plant sciences have been a high priority in the Competitive Research Grants program since it was initiated in 1978. Many high quality proposals have been submitted each year for which funds are not available. Basic plant science research continues to be important to the maintenance of efficient crop productivity. These funds would assure continuing support for the areas of photosynthesis, nitrogen fixation, genetic mechanisms for crop improvement and plant protection from biological stress and these areas have been determined to be essential to the future of agriculture.

Nature of Change. Photosynthesis research would include investigations on the regulation of key processes involved in photosynthesis and the genetics of such processes. Research in biological nitrogen fixation will elucidate mechanisms of nitrogen fixation, the nature of symbiotic relationships, and the metabolic fate of fixed nitrogen in the plant-soil-microbe ecosystem. Studies in the genetic mechanisms for crop improvement will focus on the basic factors related to the regulation of the plant genetic material as well as novel approaches to plant breeding. Biological stress research will include programs in entomology, weed science, and nematology, with emphasis on plant-pest interaction and plant pathology, focusing on the molecular mechanisms involved in pathogen-plant responses.

Funding earmarks for the areas of soybeans and alcohol fuels research will be eliminated. Much of the soybean research could be carried out within the plant science area of Competitive Research Grants program. The scientists initially funded in the soybean program will have had the advantage of significant grants to build a program that can successfully compete in the more general area of plant science. Due to the discretionary nature of the Hatch Act formula and related base funded programs, amounts allotted to State institutions permit the institutions to fund soybean and alcohol fuels research if they identify them as high priority and wish to continue the research.

- (b) An increase of \$623,000 for Competitive Research Grants for human nutrition research (\$2,377,000 available in 1987).

Need for Change. The program focuses on innovative approaches to research on nutritional requirements, the bioavailability of nutrients in foods, interrelationships among nutrients, and food processing that relates to nutritional needs among various segments of normal and healthy populations. The program on Human Requirements for Nutrients will have a significant impact on current major social and clinical concerns, such as the relating of nutrients to aging, cancer, heart disease, diabetes, bone fragility, and obesity.

Nature of Change. Studies must be undertaken to develop appropriate techniques and research results that impinge upon adequacy of nutrient intake. Further, it is important to learn about macro-nutrient effects on vitamin bioavailability. Finally, it is necessary to include research on the nutritional essentiality of trace minerals during development and senescence.

- (c) An increase of \$2,721,000 for Competitive Research Grants for animal science research (\$4,279,000 available in 1987).

Need for Change. Suboptimal reproductive performance in domestic farm animals is associated with problems related to puberty, ovulation, insemination, fertilization, prenatal death, and poor survival of offspring. Information is essential concerning hormonal involvement in controlling or regulating these manifestations. Hormones constitute a chemical communication between different parts of an organism. No funding is being proposed for the Animal Health and Disease, Section 1433 research program or the Animal Health Special Research Grants program. Research formerly conducted under these programs will be continued under an expanded animal science program. Intensified and expanded research is needed to find solutions to the most serious animal health problems that limit the efficient production of animal products. Recent technological advances in the biological and medical sciences that would be applied to veterinary medical problems under this program offer promise of major breakthroughs in the diagnosis, prevention and control of food animal health problems.

Nature of Change. Research on mechanisms by which hormones integrate the functional and developmental activities of cells in developing animals will be addressed. Researchers can clarify the principles concerning hormonal involvement or initiation and synchronization of early embryo-maternal relationships in mammals. Research will be conducted on major causes of disease losses in livestock and poultry such as respiratory, enteric, and reproductive diseases; mastitis; parasites; and other major causes of animal health losses.

Solutions will be sought to the cause, diagnosis, prevention, control or eradication of these problems. These funds will permit in-depth studies by some of the Nation's most highly trained, experienced, and productive scientists and will facilitate breakthroughs badly needed for solution of specific animal health problems. Veterinary medicine must be recognized as the medical core of the animal health and disease program in USDA. The State and other institutions supported by CSRS funds conduct research of benefit to the Federal government and produce the veterinarians employed by Federal agencies.

Funding earmarks for brucellosis and reproductive efficiency research will be eliminated. Much of the research could be carried out within the animal science area of Competitive Research Grants program. The scientists initially funded in these programs will have had the advantage of significant grants to build a program that can successfully compete in the more general area of animal science. Due to the discretionary nature of the Hatch Act formula and related base funded programs, amounts allotted to State institutions permit the institutions to fund these areas of research if they identify them as high priority and wish to continue the research.

- (d) A decrease of \$2,853,000 for Competitive Research Grants for pest science research (\$2,853,000 available in 1987).

Need for Change. This change will eliminate the special funding for research on gypsy moth, boll weevil/bollworm, and pine bark beetle. Grants awarded in prior years have provided substantial funding for research on these pests that will provide rapid advances in our understanding of the insects under study. The information obtained may be used as a model for other insects.

Nature of Change. Much of this pest science research could be carried out within the plant science and biotechnology areas of the Competitive Research Grants program. The scientists initially funded in the pest science program will have had the advantage of significant grants to build a program that can successfully compete in the more general areas of biological stress and biotechnology.

- (6) A decrease of \$5,476,000 for Animal Health and Disease Research, Sec. 1433, P.L. 95-113 (\$5,476,000 available in 1987).

Need for Change. The Animal Health and Disease Research program has supported livestock and poultry disease research in accredited colleges of veterinary medicine and State Agricultural Experiment Stations. The level of appropriated Federal funds has not been adequate to support an indepth program across the seventy-nine eligible institutions. For the purpose intended, this is not the most desirable mechanism for program delivery and research formerly conducted under this program may be continued under the expanded animal science Competitive Research Grants program.

Nature of Change. This change will eliminate funding support for this program. Animal health and disease research is being conducted in other ongoing Federal and State research programs. The Biotechnology and Animal Science Competitive Research Grants programs also offer opportunities for supporting animal health research.

- (7) A net decrease of \$1,372,000 for Federal Administration (direct appropriation) (\$3,289,000 available in 1987) consisting of:

- (a) An increase of \$250,000 is proposed for the Office of Agricultural Biotechnology (No funding available in 1987).

Need for Change. The U.S. Department of Agriculture (USDA) recognizes that the science of biotechnology holds great promise for improving the quality and availability of our food and fiber supplies, maintaining our position in the international marketplace, and enhancing our natural resources. In order to assure program coordination and operational efficiency, the Office of Agricultural Biotechnology has been established. In 1987 the Office of Agricultural Biotechnology is being financed on a reimbursable basis.

Nature of Change. It is the policy of the USDA to encourage and support responsible development and utilization of beneficial products and the environment. The establishment of the Office of Agricultural Biotechnology is deemed to be in the best interest of the public and USDA. The Office will have primary responsibility for implementing and coordinating the Department's policies and procedures pertaining to all facets of agricultural biotechnology.

- (b) An increase of \$400,000 is proposed for the peer panels costs associated with administering the CSRS grant programs (\$356,980 available in 1987 through Departmental Administration Advisory Committees).

Need for Change. The Technical Advisory Committee for Science and Education Research Grants Program was established in order to advise the Secretary of Agriculture on the relative technical and scientific merits of research grant applications submitted to Science and Education of the U.S. Department of Agriculture. The Committee consists of scientists who are recognized by their peers as experts in the areas of agricultural research included under the Science and Education Grants Programs. Committee members evaluate research proposals and recommend proposals that should be selected for research grants awards. Section 1409(c) of the National Agricultural Research, Extension, and Teaching Policy Act Amendments of 1985 (1985 Farm Bill) states "The Federal Advisory Committee Act (5 U.S.C. App.2) and Title XVIII of the Food and Agriculture Act of 1977 (7 U.S.C. 2281 et seq.) shall not apply to a panel or board created for the purpose of reviewing applications or proposals submitted under this section." Consequently, the Technical Advisory Committee will no longer function as a formal advisory committee under the Department's Advisory Committee account and it will be terminated as such.

Nature of Change. Cooperative State Research Service will continue to use the peer panel review process to evaluate the Competitive Research Grants program, the Higher Education program and the Small Business Innovation Research program. This increase reflects the cost of travel and honorarium for the peer panel members.

- (c) An increase of \$21,000 for operating costs of the Office of Grants and Program Systems (\$659,000 available in 1987).

Need for Change. To support the operating costs of the Office of Grants and Program Systems (OGPS) a permanent transfer in the estimates of \$680,000 is now being proposed including \$430,000 from Agricultural Research Service, \$240,000 from Extension Service and \$10,000 from National Agricultural Library. OGPS administers programs of competitive grants for research in the food and agricultural sciences, programs in higher education and the Small Business Innovation Research Program. This agency also provides management support services to the Joint Council, Users Advisory Board, and to other agencies for the administration of various agricultural research grants.

Funding for OGPS activities has been provided by the Cooperative State Research Service (CSRS) which also administers extramural agricultural research programs involving many of the same participants. The other Science and Education agencies have also contributed funds annually on a reimbursable basis to support the operating costs of OGPS.

Nature of Change. In order to streamline the organizational structure of the Department and to consolidate the nationwide system of agricultural research program planning and coordination among the Department of Agriculture, the state institutions, and the agricultural industry, a reorganization has occurred which transfers all authorities, responsibilities and activities of OGPS to CSRS.

- (d) An increase of \$190,000 to annualize 1987 pay costs and to restore pay costs absorbed in 1987 and an increase of \$397,000 to fund increased costs associated with the Federal Employees Retirement System.

- (e) A decrease of \$1,736,000 for the Gulf Coast shrimp aquaculture project. Because of the Administration's overall reduction in Federal spending no funding is being requested for this program.
- (f) A decrease of \$750,000 for curriculum development and strengthening at Mississippi Valley State University. Because of the Administration's overall reduction in Federal spending no funding is being requested for this program.
- (g) A decrease of \$74,000 for the Ag in the Classroom program. Because of the Administration's overall reduction in Federal spending no funding is being requested for this program.
- (h) A decrease of \$70,000 for the Northern Marianas research program. The recently enacted Insular Areas Regulation Act of 1986, P.L. 99-396, allows Northern Marianas to receive funding under the Hatch Act.

- (8) A decrease of \$9,508,000 for the 1890 Research Facilities program (\$9,508,000 available in 1987).

Need for Change. The National Agricultural Research, Extension, and Teaching Policy Act Amendments of 1981, Section 1433, Public Law 97-98, as amended, authorizes \$10 million per year or a total of \$50 million for grants to the institutions eligible to receive funds under the Act of August 30, 1890, including Tuskegee University, for the acquisition and improvement of research facilities and equipment. Fiscal year 1987 was the fifth and final year of this program.

Nature of Change. The 1890 Land-Grant Colleges and Tuskegee University have received funding under this program for five years. The program authorization expires September 30, 1987, and no additional funding is being requested.

- (9) A decrease of \$5,554,000 for higher education (\$7,554,000 available in 1987) consisting of:

- (a) An increase of \$98,000 for Higher Education-Strengthening Grants (\$1,902,000 available in 1987).

Need for Change. Funds appropriated pursuant to Section 1417(a)(2)(A) of P.L. 95-113, as amended, support resident instruction programs at the 1890 Colleges and Universities, Tuskegee University, and the University of the District of Columbia. Historically, these institutions have received only modest Federal funding for food and agricultural research, extension, and teaching. This situation has been improved in research and extension by funding for Sections 1444 and 1445 of P.L. 95-113, as amended, and by funding for research facilities under the authority of Section 1433 of P.L. 97-98. The recent report of the Joint Council on Food and Agricultural Sciences, "FY 1987 Priorities for Research, Extension and Higher Education" identifies scientific expertise development among the top five national priorities for the agricultural research and education system. Furthermore the report indicates the need for several national initiatives to enhance the quality of the educational programs which are responsible for development of the Nation's food and agricultural expertise.

Nature of Change. This program provides a stable funding base for resident instruction at historically black land-grant institutions and Tuskegee to ensure a strong overall program in the food and agricultural sciences. Recipient institutions use these funds to strengthen the quality of food and agricultural science academic programs (e.g., curriculum development, faculty development, student internships, and scientific instrumentation) and to strengthen the student recruitment programs.

- (b) A decrease of \$2,800,000 for the Morrill Nelson program (\$2,800,000 available in 1987).

Need for Change. The Federal government has supported higher education in the food and agricultural sciences at land-grant institutions through a permanent appropriation in the Second Morrill Act of 1890. The funding level has remained at the \$50,000 level for each State and territory since 1912. The amount of funds per institution is very small by current day standards. In recent years the research programs and facilities at the 1890 land-grant institutions have been strengthened through the provisions of Sections 1444 and 1445 of P.L. 95-113, as amended, and Section 1433 of P.L. 97-98. Funding of \$2,000,000 is proposed for Higher Education Strengthening Grants to be distributed to the 1890 Colleges and Universities, Tuskegee University, and the University of the District of Columbia to provide a stable support base for resident instruction at these institutions.

Nature of Change. In FY 1988 no funding is proposed for the Morrill Nelson permanent appropriation since a grant program for the 18 historically black land-grant colleges and universities is available. For FY 1988, appropriation language has been proposed for this purpose.

- (c) A decrease of \$2,852,000 for Higher Education-Graduate Training Grants (\$2,852,000 available in 1987).

Need for Change. This proposal is in line with the Administration's reductions in government spending.

Nature of Change. This change will terminate the USDA competitive Graduate Training Grants (Graduate Fellowships) program. Support for the development of agricultural expertise will be provided indirectly through the Competitive Research Grants program and through the provisions of the Hatch Act formula and related base funded programs.

- (10) A decrease of \$4,500,000 for the Forestry Competitive Grants program (\$4,500,000 available in 1987).

Need for Change. Funds appropriated under the Forestry Competitive Grants program have been transferred from Forest Service to Cooperative State Research Service in fiscal years 1985, 1986 and 1987. Grants have been awarded for basic research in the areas of harvesting, wood utilization and processing, and forest biology, including biotechnology.

Nature of Change. Funds for this program have been appropriated to Forest Service in the Interior Appropriations Act and transferred to CSRS for administration of the program. In FY 1988, no funding is proposed for this program in the Agriculture, Rural Development and Related Agencies Appropriations bill.

- (11) A decrease of \$2,000,000 under the Research Facilities Act (\$2,000,000 available in 1987).

Need for Change. The Research Facilities program supports the construction, acquisition, equipping and remodeling of research facilities at the State Agricultural Experiment Stations and other eligible institutions. In FY 1987, funds were appropriated to initiate planning and construction of the Food-Human Nutrition Center at Washington State University.

Nature of Change. The State of Washington is committed to provide matching funds for this project. Because of the Administration's overall reduction in Federal spending no funding is being requested to continue the construction.

TABLE 1
DISTRIBUTION OF FEDERAL PAYMENTS FOR RESEARCH AND EDUCATION AT STATF AGRICULTURAL EXPERIMENT
STATIONS AND OTHER STATE INSTITUTIONS - FISCAL YEAR 1986

STATE	HATCH ACT, AS AMENDED		COOP.		1890	ANIMAL	SPECIAL	COMPETITIVE-RESEARCH		1890	HIGHER	FORESTRY	ADMIN.	TOTAL
	REGULAR	REGIONAL	RESEARCH	TUSKEGEE	DISEASE	RESEARCH	RESEARCH	RESEARCH	FACILITATION	RESEARCH	EDUCATION	RESEARCH	(DIRECT)	FEDERAL
	FORMULA	RESEARCH	TOTAL	(M-S)	UNIVERSITY-RESEARCH	GRANTS	GRANTS	GRANTS	TIES	GRANTS	GRANTS	GRANTS	APPROPRIATION	FUNDS
ALABAMA	2,549,147	692,425	3,241,572	398,539	2,544,352	114,606	68,381	399,764	2,091,762	277,046	259,000	0	0	9,395,022
ALASKA	691,267	116,521	807,788	189,182	0	8,930	5,000	0	0	50,000	0	0	0	1,060,900
AMERICAN SAMOA	290,000	0	290,000	0	0	0	0	0	0	50,000	0	0	0	340,000
ARIZONA	948,793	616,102	1,564,895	204,136	0	56,615	241,504	1,024,729	0	50,000	130,000	0	0	3,271,879
ARKANSAS	2,182,481	606,842	2,789,323	361,153	1,108,422	72,216	83,117	78,456	421,984	152,497	51,000	0	0	5,118,168
CALIFORNIA	2,808,852	1,273,863	4,082,715	391,062	0	418,965	2,235,590	4,753,794	0	534,982	652,000	0	0	13,069,108
COLORADO	1,273,992	928,736	2,202,728	226,567	0	250,439	235,996	295,000	0	159,392	263,000	0	0	3,633,122
CONNECTICUT	1,077,631	405,247	1,482,878	144,320	0	22,348	119,994	230,000	0	105,129	0	0	0	2,104,665
DELAWARE	745,117	303,140	1,048,257	77,027	440,827	15,091	5,000	0	333,045	152,496	0	0	0	2,071,743
DISTRICT OF COLUMBIA	380,128	87,518	467,646	0	0	0	0	187,000	0	152,497	0	0	0	807,143
FLORIDA	1,776,778	564,704	2,341,482	316,291	877,671	136,906	1,444,894	2,374,432	226,556	284,806	127,000	0	0	8,130,038
GEORGIA	2,820,161	928,772	3,748,933	406,017	1,387,597	152,240	169,495	1,006,027	665,558	198,879	150,000	0	0	7,884,746
GUAM	595,955	99,770	695,725	0	0	0	219,930	0	0	50,000	0	0	0	965,655
HAWAII	745,285	312,420	1,057,705	99,458	0	7,482	1,739,151	155,000	0	50,000	0	699,865	0	3,808,661
IDAHO	1,191,013	485,744	1,676,757	278,907	0	73,075	354,758	0	0	50,000	0	0	0	2,433,497
ILLINOIS	3,539,739	819,210	4,358,949	174,229	0	169,195	72,413	2,681,625	0	231,564	91,000	0	0	7,778,975
INDIANA	3,224,871	690,431	3,915,302	211,613	0	109,865	132,771	770,000	0	162,712	0	0	0	5,302,263
IOWA	3,363,634	1,253,302	4,616,936	121,889	0	306,194	438,061	1,172,517	0	229,175	0	0	0	6,884,772
KANSAS	2,072,511	690,764	2,763,275	114,412	0	172,068	490,480	997,000	0	116,838	0	0	0	4,654,073
KENTUCKY	3,290,844	693,397	3,984,241	256,475	1,557,613	92,813	292,440	185,600	272,271	152,496	126,000	0	0	6,919,349
LOUISIANA	2,021,042	572,806	2,593,848	368,631	1,016,392	98,056	664,025	698,300	412,572	152,497	109,000	0	0	6,113,321
MAINE	1,052,030	422,370	1,474,400	353,677	0	16,108	84,192	50,000	0	50,000	0	0	0	2,028,377
MARYLAND	1,452,741	531,449	1,984,190	166,751	740,724	46,140	128,896	919,800	221,080	254,467	0	0	0	4,462,048
MASSACHUSETTS	1,271,650	518,767	1,790,417	151,798	0	53,452	65,647	1,181,159	0	204,573	80,900	0	0	3,527,946
MICHIGAN	3,265,909	726,989	3,992,898	346,200	0	95,376	1,715,223	1,641,820	0	162,443	166,000	0	0	8,119,960
MICRONESIA	402,500	0	402,500	0	0	0	0	0	0	50,000	0	0	0	452,500
MINNESOTA	3,177,441	777,751	3,955,192	286,384	0	178,718	621,239	822,000	0	149,232	574,000	0	0	6,586,765
MISSISSIPPI	2,656,669	722,077	3,378,746	376,108	1,328,894	50,876	1,911,831	300,870	358,663	152,497	0	484,068	0	8,342,553
MISSOURI	3,068,404	647,228	3,715,632	248,998	1,446,704	147,568	907,298	996,667	518,909	275,924	85,000	0	0	8,342,700
MONTANA	1,129,299	544,004	1,673,303	241,522	0	78,952	86,791	35,000	0	50,000	0	0	0	2,165,568
NEBRASKA	1,912,301	734,466	2,646,767	84,503	0	180,744	104,847	723,500	0	117,054	0	0	0	3,857,415
NEVADA	682,527	297,855	980,382	69,550	0	17,280	26,000	125,000	0	50,000	0	0	0	1,268,212
NEW HAMPSHIRE	848,234	303,777	1,152,011	181,705	0	10,135	108,407	123,100	0	50,000	109,000	0	0	1,611,258
NEW JERSEY	1,250,039	917,895	2,167,934	129,365	0	21,357	411,297	236,000	0	50,000	0	0	0	2,903,053
NEW MEXICO	980,939	327,715	1,308,654	159,274	0	40,068	1,549,224	236,000	0	50,000	0	0	0	3,343,220
NEW YORK	3,147,965	1,290,541	4,438,506	323,769	0	266,033	889,794	2,617,674	0	193,863	245,423	0	0	8,975,062
NORTH CAROLINA	4,296,472	992,931	5,289,403	383,585	2,005,850	100,096	304,925	773,000	760,641	251,729	210,000	0	0	10,079,229
NORTH DAKOTA	1,428,861	487,706	1,916,567	62,072	0	56,150	504,998	294,192	0	50,000	0	0	0	2,883,979
OHIO	3,863,732	785,146	4,648,878	234,044	0	116,551	513,669	1,846,340	0	83,077	238,100	0	0	7,680,655

STATE	HATCH ACT, AS AMENDED		COOP.	1890		ANIMAL	1890		SPECIAL	COMPETITIVE		RESEARCH	1890		FEDERAL	FEDERAL	
	REGULAR	REGIONAL		FORESTRY	COLLEGES & HEALTH		FORESTRY	COLLEGES & HEALTH		RESEARCH	RESEARCH		RESEARCH	RESEARCH		ADMIN.	TOTAL
	FORMULA	RESEARCH	TOTAL	(M-S)	TUSKEGEE	DISEASE	(M-S)	UNIVERSITY	RESEARCH	GRANTS	GRANTS	GRANTS	TIES	GRANTS	GRANTS	APPRO.	FUNDS
OKLAHOMA	1,981,614	497,924	2,479,538	219,091	1,001,150	111,228	219,091	1,001,150	516,765	523,000	523,000	290,907	273,780	0	0	0	5,415,459
OREGON	1,484,737	770,489	2,255,226	420,970	0	90,887	420,970	0	2,008,274	1,124,140	1,124,140	0	50,000	444,227	0	0	6,393,724
PENNSYLVANIA	3,859,525	1,044,141	4,903,666	301,338	0	148,480	301,338	0	917,153	1,114,100	1,114,100	0	50,000	239,000	0	0	7,673,737
PUERTO RICO	2,901,002	616,570	3,517,572	0	0	13,217	0	0	463,477	0	0	0	50,000	0	0	0	4,044,266
RHODE ISLAND	688,190	314,555	1,002,745	54,596	0	12,428	54,596	0	84,028	323,000	323,000	0	83,077	0	0	0	1,559,874
SOUTH CAROLINA	2,217,682	571,836	2,789,518	308,815	1,111,647	21,680	308,815	1,111,647	787,319	130,000	130,000	236,768	163,522	0	0	0	5,549,269
SOUTH DAKOTA	1,464,482	491,859	1,956,341	91,981	0	88,582	91,981	0	124,476	160,771	160,771	0	50,000	0	0	0	2,472,151
TENNESSEE	3,180,653	708,959	3,889,612	271,429	1,521,224	62,737	271,429	1,521,224	57,042	300,000	300,000	493,902	152,497	0	0	0	6,748,443
TEXAS	4,077,098	1,008,488	5,085,586	331,246	1,940,009	347,878	331,246	1,940,009	1,979,667	1,669,197	1,669,197	1,331,121	317,884	50,000	0	0	13,052,588
UTAH	862,311	561,483	1,423,794	136,843	0	49,812	136,843	0	140,550	372,544	372,544	0	50,000	85,000	0	0	2,258,543
VERMONT	902,982	274,729	1,177,711	196,660	0	16,664	196,660	0	188,266	0	0	0	50,000	160,000	0	0	1,789,301
VIRGIN ISLANDS	570,302	99,196	669,498	0	0	0	0	0	132,743	0	0	0	50,000	0	0	0	852,241
VIRGINIA	2,716,488	670,536	3,387,024	338,722	1,316,194	83,696	338,722	1,316,194	58,518	575,000	575,000	491,941	152,497	295,000	0	0	6,698,592
WASHINGTON	1,694,243	1,172,755	2,866,998	413,493	0	139,640	413,493	0	1,313,785	1,914,967	1,914,967	0	94,103	332,000	0	0	7,074,986
WEST VIRGINIA	1,728,261	442,663	2,170,924	263,953	0	14,165	263,953	0	64,700	161,025	161,025	0	50,000	0	0	0	2,724,767
WISCONSIN	3,187,368	876,132	4,063,500	293,860	0	196,921	293,860	0	844,673	1,859,000	1,859,000	0	116,155	896,000	0	0	8,270,109
WYOMING	809,092	452,488	1,261,580	106,934	0	40,525	106,934	0	23,500	190,266	190,266	0	50,000	0	0	0	1,672,805
OTHER	0	195,500	195,500	0	34,500	0	0	34,500	0	0	0	0	0	0	0	0	230,000
SMALL BUSINESS																	
SET ASIDE	1,371,902	429,629	1,801,531	150,496	270,630	65,712	150,496	270,630	362,686	507,744	507,744	0	0	78,072	14,987	0	3,251,858
SUBTOTAL	109,174,886	34,370,313	143,545,199	12,039,640	21,650,400	5,256,960	12,039,640	21,650,400	29,014,900	40,619,520	40,619,520	9,127,680	7,411,380	6,245,722	1,198,920	276,110	321
UNOBLIGATED																	
BALANCE	577,302	0	577,302	0	0	0	0	0	0	0	0	0	0	0	0	0	577,302
SUBTOTAL	109,752,188	34,370,313	144,122,501	12,039,640	21,650,400	5,256,960	12,039,640	21,650,400	29,014,900	40,619,520	40,619,520	9,127,680	7,411,380	6,245,722	1,198,920	276,687	623
FEDERAL ADMIN.																	
UNOBLIGATED	0	0	4,210,168	372,360	669,600	219,040	372,360	669,600	1,192,300	1,692,480	1,692,480	380,320	142,620	260,238	366,080	0	9,505,206
BALANCE	0	0	4,331	0	0	0	0	0	0	0	0	0	0	0	0	0	4,331
SUBTOTAL	0	0	4,214,499	372,360	669,600	219,040	372,360	669,600	1,192,300	1,692,480	1,692,480	380,320	142,620	260,238	366,080	0	9,509,537
PENALTY MAIL																	
SMALL BUSINESS	0	0	489,510	0	0	0	0	0	0	0	0	0	0	0	0	0	489,510
SET-SIDE	0	0	5,688	0	0	0	0	0	0	0	0	0	0	0	0	0	5,688
UNOBLIGATED	0	0	-40,198	0	0	0	0	0	0	0	0	0	0	0	0	0	-40,198
BALANCE	0	0	455,000	0	0	0	0	0	0	0	0	0	0	0	0	0	455,000
SUBTOTAL	0	0	489,510	0	0	0	0	0	0	0	0	0	0	0	0	0	489,510
TOTAL	109,752,188	34,370,313	148,792,000	12,412,000	22,320,000	5,476,000	12,412,000	22,320,000	30,207,200	42,312,000	42,312,000	9,508,000	7,554,000	6,505,960	1,565,000	286,652	160

Table 2
Payments to State Agricultural Experiment Stations under the Hatch Act

State	FY 1986 Actual			FY 1987 Estimate			FY 1988 Est
	Regular : Formula	Regional : Research	Total	Regular : Formula	Regional : Research	Total	Regular : Formula
Alabama	\$2,549,147:	\$692,425:	\$3,241,572:	\$2,549,147:	\$690,647:	\$3,239,794:	\$2,640,008
Alaska	691,267:	116,521:	807,788:	691,267:	117,211:	808,478:	712,245
American Samoa:	290,000:	- :	290,000:	576,390:	- :	576,390:	593,663
Arizona	948,793:	616,102:	1,564,895:	948,793:	619,750:	1,568,543:	982,738
Arkansas	2,182,481:	606,842:	2,789,323:	2,182,481:	605,284:	2,787,765:	2,266,340
California	2,808,852:	1,273,863:	4,082,715:	2,808,852:	1,281,224:	4,090,076:	2,943,142
Colorado	1,273,992:	928,736:	2,202,728:	1,273,992:	888,381:	2,162,373:	1,326,056
Connecticut ..	1,077,631:	405,247:	1,482,878:	1,077,631:	404,873:	1,482,504:	1,116,029
Delaware.....	745,117:	303,140:	1,048,257:	745,117:	302,862:	1,047,979:	770,043
Dist. of Col. :	380,128:	87,518:	467,646:	458,573:	87,438:	546,011:	475,021
Florida	1,776,778:	564,704:	2,341,482:	1,776,778:	560,953:	2,337,731:	1,857,696
Georgia	2,820,161:	928,772:	3,748,933:	2,820,161:	944,926:	3,765,087:	2,936,531
Guam	595,955:	99,770:	695,725:	595,955:	100,361:	696,316:	614,366
Hawaii	745,285:	312,420:	1,057,705:	745,285:	314,271:	1,059,556:	767,054
Idaho	1,191,013:	485,744:	1,676,757:	1,191,013:	500,053:	1,691,066:	1,242,525
Illinois	3,539,739:	819,210:	4,358,949:	3,539,739:	828,194:	4,367,933:	3,713,518
Indiana	3,224,871:	690,431:	3,915,302:	3,224,871:	698,002:	3,922,873:	3,388,236
Iowa	3,363,634:	1,253,302:	4,616,936:	3,363,634:	1,221,915:	4,585,549:	3,541,169
Kansas	2,072,511:	690,764:	2,763,275:	2,072,511:	694,724:	2,767,235:	2,167,762
Kentucky	3,290,844:	693,397:	3,984,241:	3,290,844:	691,617:	3,982,461:	3,439,140
Louisiana	2,021,042:	572,806:	2,593,848:	2,021,042:	571,336:	2,592,378:	2,095,614
Maine	1,052,030:	422,370:	1,474,400:	1,052,030:	421,982:	1,474,012:	1,090,537
Maryland	1,452,741:	531,449:	1,984,190:	1,452,741:	530,960:	1,983,701:	1,508,294
Massachusetts :	1,271,650:	518,767:	1,790,417:	1,271,650:	518,287:	1,789,937:	1,318,901
Michigan	3,265,909:	726,989:	3,992,898:	3,265,909:	734,961:	4,000,870:	3,419,929
Micronesia ...	402,500:	- :	402,500:	602,850:	- :	602,850:	622,790
Minnesota	3,177,441:	777,751:	3,955,192:	3,177,441:	778,164:	3,955,605:	3,335,073
Mississippi ...	2,656,669:	722,077:	3,378,746:	2,656,669:	698,406:	3,355,075:	2,739,757
Missouri	3,068,404:	647,228:	3,715,632:	3,068,404:	654,324:	3,722,728:	3,221,817
Montana	1,129,299:	544,004:	1,673,303:	1,129,299:	547,224:	1,676,523:	1,175,468
Nebraska	1,912,301:	734,466:	2,646,767:	1,912,301:	742,521:	2,654,822:	2,003,094
Nevada	682,527:	297,855:	980,382:	682,527:	299,619:	982,146:	704,250
New Hampshire :	848,234:	303,777:	1,152,011:	848,234:	303,497:	1,151,731:	879,926
New Jersey ...	1,250,039:	917,895:	2,167,934:	1,250,039:	943,003:	2,193,042:	1,296,606
New Mexico	980,939:	327,715:	1,308,654:	980,939:	329,655:	1,310,594:	1,014,624
New York	3,147,965:	1,290,541:	4,438,506:	3,147,965:	1,260,676:	4,408,641:	3,284,212
North Carolina:	4,296,472:	992,931:	5,289,403:	4,296,472:	990,380:	5,286,852:	4,464,299
North Dakota ..	1,428,861:	487,706:	1,916,567:	1,428,861:	493,053:	1,921,914:	1,488,516
North.Marianas:	- :	- :	- :	a/ :	- :	- :	580,804
Ohio	3,863,732:	785,146:	4,648,878:	3,863,732:	793,755:	4,657,487:	4,052,849
Oklahoma	1,981,614:	497,924:	2,479,538:	1,981,614:	496,644:	2,478,258:	2,069,125
Oregon	1,484,737:	770,489:	2,255,226:	1,484,737:	775,053:	2,259,790:	1,551,330
Pennsylvania ..	3,859,525:	1,044,141:	4,903,666:	3,859,525:	1,043,223:	4,902,748:	4,035,090
Puerto Rico ...	2,901,002:	616,570:	3,517,572:	2,901,002:	614,987:	3,515,989:	2,962,515
Rhode Island ..	688,190:	314,555:	1,002,745:	688,190:	314,268:	1,002,458:	708,662
South Carolina:	2,217,682:	571,836:	2,789,518:	2,217,682:	570,366:	2,788,048:	2,293,928
South Dakota ...	1,464,482:	491,859:	1,956,341:	1,464,482:	497,253:	1,961,735:	1,528,071
Tennessee	3,180,653:	708,959:	3,889,612:	3,180,653:	707,136:	3,887,789:	3,307,440
Texas	4,077,098:	1,008,488:	5,085,586:	4,077,098:	1,005,898:	5,082,996:	4,265,871
Utah	862,311:	561,483:	1,423,794:	862,311:	564,808:	1,427,119:	891,429
Vermont	902,982:	274,729:	1,177,711:	902,982:	277,547:	1,180,529:	935,306
Virgin Islands:	570,302:	99,196:	669,498:	582,419:	98,942:	681,361:	600,656
Virginia	2,716,488:	670,536:	3,387,024:	2,716,488:	676,817:	3,393,305:	2,823,248
Washington	1,694,243:	1,172,755:	2,866,998:	1,694,243:	1,190,718:	2,884,961:	1,769,448
West Virginia ..	1,728,261:	442,663:	2,170,924:	1,728,261:	442,255:	2,170,516:	1,790,954
Wisconsin	3,187,368:	876,132:	4,063,500:	3,187,368:	831,815:	4,019,183:	3,344,497
Wyoming	809,092:	452,488:	1,261,580:	809,092:	444,065:	1,253,157:	836,962
Other	- :	195,500:	195,500:	- :	195,500:	195,500:	-
SUBTOTAL	107,802,984:	33,940,684:	141,743,668:	108,380,286:	33,911,784:	142,292,070:	113,505,174
Regional Res. :	- :	- :	- :	- :	- :	- :	-
Undistributed:	- :	- :	- :	- :	28,900:	28,900:	35,720,159
Federal Admin.:	- :	- :	4,210,168:	- :	- :	4,214,499:	4,430,739
Penalty Mail...:	- :	- :	489,510:	- :	- :	449,312:	-
Unoblig. Bal. :	541,435:	- :	541,435:	- :	- :	- :	-
Small Business:	- :	- :	- :	- :	- :	- :	-
Act.....	1,371,902:	429,629:	1,807,219:	1,371,902:	429,629:	1,807,219:	1,888,928
TOTAL	109,752,188:	34,370,313:	148,792,000:	109,752,188:	34,370,313:	148,792,000:	155,545,000

a/ Allocation to Northern Marianas has yet to be determined.

Table 3
Distribution of Funds under the McIntire-Stennis Cooperative Forestry Research Act
(In Dollars)

<u>State/Recipient</u>	<u>Fiscal Year 1986 Actual</u>	<u>Fiscal Year 1987 Estimate</u>	<u>Fiscal Year 1988 Estimate</u>
<u>ALABAMA</u>			
Agricultural Experiment Station, Auburn Univ..	\$398,539	\$399,065	\$416,595
<u>ALASKA</u>			
Agricultural Experiment Station, Univ. of Alaska	189,182	211,876	228,479
<u>AMERICAN SAMOA</u>			
American Samoa Community College	- -	- -	- -
<u>ARIZONA</u>			
Agricultural Experiment Station, University of Arizona	102,068	90,963	94,644
School of Forestry, Northern Arizona Univ. ...	102,068	90,963	94,644
<u>ARKANSAS</u>			
Agricultural Experiment Station, University of Arkansas	361,153	369,114	385,242
<u>CALIFORNIA</u>			
Agricultural Experiment Station, University of California	351,956	313,262	327,006
Department of Forestry, California State University, Humboldt	39,106	58,737	61,314
California Polytechnic State University	- -	19,579	20,438
<u>COLORADO</u>			
College of Forestry and Natural Resources, Colorado State University	226,567	226,851	236,318
<u>CONNECTICUT</u>			
Agricultural Experiment Station, New Haven ...	108,240	108,366	112,573
Agricultural Experiment Station, University of Connecticut, Storrs	36,080	36,122	37,525
<u>DELAWARE</u>			
Agricultural Experiment Station, University of Delaware	77,027	77,100	79,555
<u>FLORIDA</u>			
Agricultural Experiment Station, University of Florida	316,291	316,702	330,375
<u>GEORGIA</u>			
School of Forest Resources, Univ. of Georgia .	406,017	406,552	424,433
<u>GUAM</u>			
Agricultural Experiment Station, Univ. of Guam	- -	- -	32,526
<u>HAWAII</u>			
Agricultural Experiment Station, University of Hawaii	99,458	92,075	95,231
<u>IDAHO</u>			
College of Forestry, University of Idaho	278,907	279,264	291,185
<u>ILLINOIS</u>			
Agricultural Experiment Station, University of Illinois	87,114	87,219	90,725
Department of Forestry, Southern Illinois Univ.	87,115	87,219	90,725
<u>INDIANA</u>			
Agricultural Experiment Station, Purdue Univ..	211,613	204,388	212,803
<u>IOWA</u>			
Agriculture & Home Economics Experiment Station, Iowa State University	121,889	122,026	126,583
<u>KANSAS</u>			
Agricultural Experiment Station, Kansas State University	114,412	114,538	118,745
<u>KENTUCKY</u>			
Agricultural Experiment Station, Univ. of Kentucky	256,475	256,801	267,670
<u>LOUISIANA</u>			
Agricultural Experiment Station, Louisiana State University	258,042	253,139	264,183
School of Forestry, Louisiana Tech University.	110,589	108,488	113,221
<u>MAINE</u>			
Agricultural Experiment Station, Univ. of Maine	353,677	346,652	361,728
<u>MARYLAND</u>			
Agricultural Experiment Station, University of Maryland	166,751	159,463	165,774
<u>MASSACHUSETTS</u>			
Agricultural Experiment Station, University of Massachusetts	151,798	151,976	157,936

<u>State/Recipient</u>	<u>Fiscal Year 1986 Actual</u>	<u>Fiscal Year 1987 Estimate</u>	<u>Fiscal Year 1988 Estimate</u>
<u>MICHIGAN</u>			
Agricultural Experiment Station, Michigan State University	\$115,400	\$118,046	\$123,189
School of Natural Resources, University of Michigan	115,400	118,046	123,189
Department of Forestry, Michigan Tech. Univ. .	115,400	118,046	123,189
<u>MICRONESIA</u>			
College of Micronesia	- -	- -	- -
<u>MINNESOTA</u>			
Agricultural Experiment Station, University of Minnesota	286,384	286,751	299,023
<u>MISSISSIPPI</u>			
School of Forest Resources, Mississippi State University	376,108	376,602	393,081
<u>MISSOURI</u>			
Agricultural Experiment Station, University of Missouri	248,998	241,826	251,994
<u>MONTANA</u>			
School of Forestry, University of Montana	241,522	249,314	259,832
<u>NEBRASKA</u>			
Agricultural Experiment Station, University of Nebraska	84,503	84,588	87,393
<u>NEVADA</u>			
Agricultural Experiment Station, University of Nevada	69,550	47,150	48,202
<u>NEW HAMPSHIRE</u>			
Agricultural Experiment Station, University of New Hampshire	181,705	189,413	197,127
<u>NEW JERSEY</u>			
Agricultural Experiment Station, Rutgers Univ.	129,365	129,513	134,422
<u>NEW MEXICO</u>			
Agricultural Experiment Station, New Mexico State University	159,274	166,951	173,612
<u>NEW YORK</u>			
Agricultural Experiment Station, Cornell Univ.	80,942	81,047	84,553
College of Environmental Science and Forestry, State University of New York	242,827	243,142	253,660
<u>NORTH CAROLINA</u>			
School of Forest Resources, North Carolina State University	383,585	384,089	400,919
<u>NORTH DAKOTA</u>			
Agricultural Experiment Station, North Dakota State University	62,072	69,613	71,716
<u>OHIO</u>			
Agricultural Experiment Station, Ohio State University	234,044	234,339	244,156
<u>OKLAHOMA</u>			
Agricultural Experiment Station, Oklahoma State University	219,091	211,876	220,641
<u>OREGON</u>			
School of Forestry, Oregon State University ..	420,970	421,527	440,110
<u>PENNSYLVANIA</u>			
Agricultural Experiment Station, Pennsylvania State University	301,338	301,727	314,699
<u>PUERTO RICO</u>			
Agricultural Experiment Station, University of Puerto Rico	- -	- -	- -
<u>RHODE ISLAND</u>			
Agricultural Experiment Station, University of Rhode Island	54,596	62,125	63,878
<u>SOUTH CAROLINA</u>			
College of Forest and Recreation Resources, Clemson University	308,815	309,214	322,537
<u>SOUTH DAKOTA</u>			
Agricultural Experiment Station, South Dakota State University	91,981	99,563	103,069
<u>TENNESSEE</u>			
Agricultural Experiment Station, University of Tennessee	271,429	271,776	283,347

<u>State/Recipient</u>	<u>Fiscal Year 1986 Actual</u>	<u>Fiscal Year 1987 Estimate</u>	<u>Fiscal Year 1988 Estimate</u>
<u>TEXAS</u>			
Agricultural Experiment Station, Texas A&M University	\$165,623	\$165,838	\$173,026
School of Forestry, Stephen F. Austin State University	165,623	165,838	173,026
<u>UTAH</u>			
College of Natural Resources, Utah State Univ.	136,843	137,001	142,260
<u>VERMONT</u>			
School of Natural Resources, Univ. of Vermont.	196,660	196,901	204,965
<u>VIRGIN ISLANDS</u>			
Agricultural Experiment Station, University of the Virgin Islands	- -	- -	- -
<u>VIRGINIA</u>			
School of Forestry and Wildlife Resources, Virginia Polytechnic Institute & State Univ.	338,722	339,164	353,890
<u>WASHINGTON</u>			
Agricultural Experiment Station, Washington State University	186,072	186,318	194,522
College of Forest Resources, University of Washington	227,421	227,722	237,749
<u>WEST VIRGINIA</u>			
Agricultural Experiment Station, West Virginia University	263,953	264,289	275,508
<u>WISCONSIN</u>			
Agricultural Experiment Station, University of Wisconsin	293,860	294,239	306,861
<u>WYOMING</u>			
Agricultural Experiment Station, University of Wyoming	106,934	107,050	110,907
Subtotal	11,889,144	11,889,144	12,428,428
Federal administration (3%)	372,360	372,360	389,250
Small Business Act	150,496	150,496	157,322
Total	<u>12,412,000</u>	<u>12,412,000</u>	<u>12,975,000</u>

Table 4

Evans-Allen Program Payments to 1890 Colleges and Tuskegee University
Under Section 1445, Public Law 95-113, As Amended
(In Dollars)

	<u>Fiscal Year</u> <u>1986 Actual</u>	<u>Fiscal Year</u> <u>1987 Estimate</u>	<u>Fiscal Year</u> <u>1988 Estimate</u>
<u>ALABAMA</u>			
Alabama A&M University	\$1,281,891	\$1,281,891	\$1,331,812
Tuskegee University	1,262,461	1,262,461	1,312,382
<u>ARKANSAS</u>			
University of Arkansas--Pine Bluff..	1,108,422	1,108,422	1,155,494
<u>DELAWARE</u>			
Delaware State College	440,827	440,827	456,618
<u>FLORIDA</u>			
Florida A&M University	877,671	877,671	921,951
<u>GEORGIA</u>			
Fort Valley State College	1,387,597	1,387,597	1,450,805
<u>KENTUCKY</u>			
Kentucky State University	1,557,613	1,557,613	1,639,725
<u>LOUISIANA</u>			
Southern University.....	1,016,392	1,016,392	1,057,611
<u>MARYLAND</u>			
University of Maryland--Eastern Shore	740,724	740,724	772,332
<u>MISSISSIPPI</u>			
Alcorn State University	1,328,894	1,328,894	1,374,969
<u>MISSOURI</u>			
Lincoln University	1,446,704	1,446,704	1,532,333
<u>NORTH CAROLINA</u>			
North Carolina A&T State University..	2,005,850	2,005,850	2,095,887
<u>OKLAHOMA</u>			
Langston University	1,001,150	1,001,150	1,050,604
<u>SOUTH CAROLINA</u>			
South Carolina State College	1,111,647	1,111,647	1,153,532
<u>TENNESSEE</u>			
Tennessee State University	1,521,224	1,521,224	1,591,003
<u>TEXAS</u>			
Prairie View A&M College	1,940,009	1,940,009	2,042,415
<u>VIRGINIA</u>			
Virginia State College	1,316,194	1,316,194	1,374,524
CRIS	34,500	34,500	36,100
Subtotal	<u>21,379,770</u>	<u>21,379,770</u>	<u>22,350,097</u>
Unobligated balance	- -	- -	- -
Federal administration (3%)	669,600	669,600	699,990
Small Business Act	<u>270,630</u>	<u>270,630</u>	<u>282,913</u>
TOTAL	<u><u>22,320,000</u></u>	<u><u>22,320,000</u></u>	<u><u>23,333,000</u></u>

Table 5

Grants to Upgrade Research Facilities at 1890 Institutions and Tuskegee University
(In Dollars)

	Authorized Under P.L. 97-98, Sec. 1433	FY 1983 Actual	FY 1984 Actual	FY 1985 Actual	FY 1986 Actual	FY 1987 Estimate
<u>ALABAMA</u>						
Alabama A&M University	\$4,000,000	\$800,000	\$800,000	\$800,000	\$760,641	\$760,641
Tuskegee University	7,000,000	1,400,000	1,400,000	1,400,000	1,331,121	1,331,121
<u>ARKANSAS</u>						
University of Arkansas--						
Pine Bluff	2,219,100	443,820	443,820	443,820	421,984	421,984
<u>DELAWARE</u>						
Delaware State College	1,751,400	350,280	350,280	350,280	333,045	333,045
<u>FLORIDA</u>						
Florida A&M University	1,191,400	238,280	238,280	238,280	226,556	226,556
<u>GEORGIA</u>						
Fort Valley State College..	3,500,000	700,000	700,000	700,000	665,558	665,558
<u>KENTUCKY</u>						
Kentucky State University..	1,431,800	286,360	286,360	286,360	272,271	272,271
<u>LOUISIANA</u>						
Southern University	2,169,600	433,920	433,920	433,920	412,572	412,572
<u>MARYLAND</u>						
University of Maryland--						
Eastern Shore	1,162,600	232,520	232,520	232,520	221,080	221,080
<u>MISSISSIPPI</u>						
Alcorn State University ...	1,886,100	377,220	377,220	377,220	358,663	358,663
<u>MISSOURI</u>						
Lincoln University	2,728,800	545,760	545,760	545,760	518,909	518,909
<u>NORTH CAROLINA</u>						
North Carolina A&T State						
University.....	4,000,000	800,000	800,000	800,000	760,641	760,641
<u>OKLAHOMA</u>						
Langston University	1,529,800	305,960	305,960	305,960	290,907	290,907
<u>SOUTH CAROLINA</u>						
South Carolina State						
College	1,245,100	249,020	249,020	249,020	236,768	236,768
<u>TENNESSEE</u>						
Tennessee State University.	2,597,300	519,460	519,460	519,460	493,902	493,902
<u>TEXAS</u>						
Prairie View A&M College...	7,000,000	1,400,000	1,400,000	1,400,000	1,331,121	1,331,121
<u>VIRGINIA</u>						
Virginia State College	2,587,000	517,400	517,400	517,400	491,941	491,941
Subtotal	48,000,000	9,600,000	9,600,000	9,600,000	9,127,680	9,127,680
Federal administration (4%) .	2,000,000	400,000	400,000	400,000	380,320	380,320
TOTAL	<u>50,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>9,508,000</u>	<u>9,508,000</u>

Table 6
Distribution of Funds for Animal Health and Disease Research,
Section 1433, P.L. 95-113
(In Dollars)

<u>State/Recipient</u>	<u>Fiscal Year 1986 Actual</u>	<u>Fiscal Year 1987 Est.</u>
<u>ALABAMA</u>		
Agricultural Experiment Station, Auburn University	\$75,960	\$76,229
School of Veterinary Medicine, Auburn University	32,714	32,829
School of Veterinary Medicine, Tuskegee University	5,932	5,953
<u>ALASKA</u>		
Agricultural Experiment Station, University of Alaska	8,930	8,948
<u>ARIZONA</u>		
Agricultural Experiment Station, University of Arizona	56,615	57,238
<u>ARKANSAS</u>		
Agricultural Experiment Station, University of Arkansas	72,216	73,241
<u>CALIFORNIA</u>		
Agricultural Experiment Station, Univ. of California, Berkeley	235,486	237,542
School of Veterinary Medicine, University of California, Davis	183,479	185,029
<u>COLORADO</u>		
Agricultural Experiment Station and College of Veterinary Medicine, Colorado State University	250,439	252,333
<u>CONNECTICUT</u>		
Agricultural Experiment Station, Univ. of Connecticut, Storrs.	22,348	22,488
<u>DELAWARE</u>		
Agricultural Experiment Station, University of Delaware	15,091	15,694
<u>FLORIDA</u>		
Agricultural Experiment Station, University of Florida	77,199	77,386
College of Veterinary Medicine, University of Florida	59,707	59,851
<u>GEORGIA</u>		
Agricultural Experiment Station, University of Georgia	22,818	22,722
College of Veterinary Medicine, University of Georgia	129,422	128,880
<u>HAWAII</u>		
Agricultural Experiment Station, University of Hawaii	7,482	7,308
<u>IDAHO</u>		
Agricultural Experiment Station, University of Idaho	53,990	53,654
College of Veterinary Medicine, University of Idaho	19,085	18,965
<u>ILLINOIS</u>		
Agricultural Experiment Station and College of Veterinary Medicine, University of Illinois	169,195	167,401
<u>INDIANA</u>		
Agricultural Experiment Station and School of Veterinary Medicine, Purdue University	109,865	109,459
<u>IOWA</u>		
Agriculture & Home Economics Experiment Sta., Iowa State Univ.	59,179	56,794
College of Veterinary Medicine, Iowa State University	247,015	236,975
<u>KANSAS</u>		
Agricultural Experiment Station and College of Veterinary Medicine, Kansas State University	172,068	175,000
<u>KENTUCKY</u>		
Agricultural Experiment Station, University of Kentucky	92,813	92,427
<u>LOUISIANA</u>		
Agricultural Experiment Station, Louisiana State University ..	73,044	73,051
School of Veterinary Medicine, Louisiana State University	25,012	25,014
<u>MAINE</u>		
Agricultural Experiment Station, University of Maine	16,108	16,074
<u>MARYLAND</u>		
Agricultural Experiment Station, University of Maryland	46,140	46,867
<u>MASSACHUSETTS</u>		
Agricultural Experiment Station, University of Massachusetts .	9,695	9,676
School of Veterinary Medicine, Tufts University	43,757	43,670
<u>MICHIGAN</u>		
Agricultural Experiment Station and College of Veterinary Medicine, Michigan State University.....	95,376	96,236
<u>MINNESOTA</u>		
Agricultural Experiment Station, University of Minnesota	84,221	82,919
College of Veterinary Medicine, University of Minnesota	94,497	93,043
<u>MISSISSIPPI</u>		
Agricultural and Forestry Experiment Station and College of Veterinary Medicine, Mississippi State University	50,876	51,331

<u>State/Recipient</u>	<u>Fiscal Year 1986 Actual</u>	<u>Fiscal Year 1987 Est.</u>
<u>MISSOURI</u>		
Agricultural Experiment Station, University of Missouri	\$54,115	\$53,153
College of Veterinary Medicine, University of Missouri	93,453	91,790
<u>MONTANA</u>		
Agricultural Experiment Station, Montana State University	78,952	79,178
<u>NEBRASKA</u>		
Agricultural Experiment Station, University of Nebraska	180,744	184,744
<u>NEVADA</u>		
Agricultural Experiment Station, University of Nevada	17,280	17,629
<u>NEW HAMPSHIRE</u>		
Agricultural Experiment Station, University of New Hampshire ..	10,135	10,100
<u>NEW JERSEY</u>		
Agricultural Experiment Station, Rutgers University	21,357	21,308
<u>NEW MEXICO</u>		
Agricultural Experiment Station, New Mexico State University ..	40,068	40,874
<u>NEW YORK</u>		
Agricultural Experiment Station, Cornell University	54,007	53,703
College of Veterinary Medicine, Cornell University	212,026	210,833
<u>NORTH CAROLINA</u>		
Agricultural Experiment Station and School of Veterinary Medicine, North Carolina State University	100,096	102,061
<u>NORTH DAKOTA</u>		
Agricultural Experiment Station, North Dakota State University.	56,150	56,680
<u>OHIO</u>		
Ohio Agricultural Research and Dev. Center, Ohio State Univ. ..	69,994	70,441
College of Veterinary Medicine, Ohio State University	46,557	46,857
<u>OKLAHOMA</u>		
Agricultural Experiment Station and College of Veterinary Medicine, Oklahoma State University	111,228	111,547
<u>OREGON</u>		
Agricultural Experiment Station, Oregon State University	47,354	47,615
School of Veterinary Medicine, Oregon State University	43,533	43,774
<u>PENNSYLVANIA</u>		
Agricultural Experiment Station, Pennsylvania State Univ.	52,983	52,638
School of Veterinary Medicine, University of Pennsylvania	95,497	94,875
<u>PUERTO RICO</u>		
Agricultural Experiment Station, University of Puerto Rico	13,217	13,218
<u>RHODE ISLAND</u>		
Agricultural Experiment Station, University of Rhode Island ...	12,428	12,413
<u>SOUTH CAROLINA</u>		
Agricultural Experiment Station, Clemson University	21,680	21,802
<u>SOUTH DAKOTA</u>		
Agricultural Experiment Station, South Dakota State University.	88,582	87,493
<u>TENNESSEE</u>		
Agricultural Experiment Station and College of Veterinary Medicine, University of Tennessee	62,737	63,243
<u>TEXAS</u>		
Agricultural Experiment Station and College of Veterinary Medicine, Texas A&M University.....	347,878	350,953
<u>UTAH</u>		
Agricultural Experiment Station, Utah State University	49,812	49,863
<u>VERMONT</u>		
Agricultural Experiment Station, University of Vermont	16,664	16,345
<u>VIRGINIA</u>		
Agricultural Experiment Station and College of Veterinary Medicine, Virginia Polytechnic Institute and State Univ.	83,696	85,449
<u>WASHINGTON</u>		
Agricultural Experiment Station, Washington State Univ.	35,171	35,206
College of Veterinary Medicine, Washington State Univ.	104,469	104,571
<u>WEST VIRGINIA</u>		
Agricultural & Forestry Experiment Station, West Virginia Univ.	14,165	14,216
<u>WISCONSIN</u>		
Agricultural Experiment Station and College of Veterinary Medicine, University of Wisconsin	196,921	193,910
<u>WYOMING</u>		
Agricultural Experiment Station, University of Wyoming	40,525	40,539
Subtotal	5,191,248	5,191,248
Federal administration	219,040	219,040
Small Business Act	65,712	65,712
Total	<u>5,476,000</u>	<u>5,476,000</u>

Table 7
Competitive Research Grants
Proposals Submitted and Grants Awarded in Fiscal Year 1986

	<u>Proposals Received</u>	<u>Dollars Requested</u>	<u>Grants Awarded</u>	<u>Dollars Awarded</u>
Plant Biology				
Biological Stress	291	\$50,659,114	60	\$3,950,000
Genetic Mechanisms	101	19,848,607	32	3,438,812
Nitrogen Fixation	98	17,956,225	25	2,100,000
Photosynthesis	89	17,241,362	25	2,000,000
Soybeans	18	2,644,088	5	467,364
Acid Precipitation	46	7,203,729	6	626,628
Alcohol Fuels	28	4,400,966	4	487,272
Subtotal	<u>671</u>	<u>119,954,091</u>	<u>157</u>	<u>13,070,076</u>
Human Nutrition				
Nutrient Requirements	110	22,175,390	29	2,253,396
Animal Science				
Brucellosis	12	2,052,508	3	450,300
Reproductive Physiology	131	27,066,494	17	2,253,396
Reproductive Efficiency))	10	1,352,796
Subtotal	<u>143</u>	<u>29,119,002</u>	<u>30</u>	<u>4,056,492</u>
Biotechnology				
Plant Growth and Development	72	17,152,611	21	2,025,000
Plant Molecular Biology	147	41,671,111	49	4,987,028
Responses to Biological Stress	30	7,160,129	31	2,601,000
Responses to Physical Stress (plants)	94	19,117,670	15	1,800,000
Animal Growth and Development	101	25,452,477	24	2,600,000
Animal Molecular Biology	109	28,433,252	34	4,014,140
Subtotal	<u>553</u>	<u>138,987,250</u>	<u>174</u>	<u>18,027,168</u>
Pest Science				
Gypsy Moths	33	5,838,912	9	901,548
Boll Weevil/Bollworm	37	6,913,630	8	901,548
Pine Bark Beetle	23	5,226,999	8	901,548
Subtotal	<u>93</u>	<u>17,979,541</u>	<u>25</u>	<u>2,704,644</u>
 TOTAL	 <u>1,570</u>	 <u>328,215,274</u>	 <u>415</u>	 <u>40,111,776</u>

	<u>Proposals Received</u>	<u>Dollars Requested</u>	<u>Grants Awarded</u>	<u>Dollars Awarded</u>
Land-Grant Universities	1,069	\$211,233,849	278	\$26,804,684
Land-Grant 1890	9	1,493,143	--	--
Private Universities	99	26,330,656	30	3,077,006
Other Public Universities	181	46,007,962	40	4,054,149
Federal Laboratories	14	2,168,415	5	395,000
USDA/ARS	72	10,912,578	17	1,757,897
Private Non-Profit	54	12,963,861	22	1,398,500
Private Profit	9	2,213,640	3	169,000
State and Local Agencies	3	882,599	--	--
Veterinary Schools and Colleges	53	12,366,749	20	2,455,540
Other	7	1,641,822	--	--
TOTAL	<u>1,570</u>	<u>328,215,274</u>	<u>415</u>	<u>40,111,776</u>

SMALL BUSINESS INNOVATION RESEARCH PROGRAM

The Small Business Innovation Development Act, Public Law 97-219, July 22, 1982, as amended by Public Law 99-443, October 6, 1986 was designed to strengthen the role of small, innovative firms in Federally funded research and development. It directs that small firms receive at least a fixed minimum percentage of research and development awards made by Federal agencies with sizable research and development budgets. Beginning in fiscal year 1986, and all subsequent fiscal years, 1.25 percent of an agency's extramural research budget was set aside for purposes of the SBIR Act.

<u>Agency</u>	<u>FY 1986 Actual</u>	<u>FY 1987 Estimate</u>	<u>FY 1988 Estimate</u>
Agricultural Cooperative Service	\$3,750	\$4,375	- -
Agricultural Research Service	150,000	150,000	\$150,000
Cooperative State Research Service ..	3,257,546	3,245,415	2,863,163
Economic Research Service	12,662	12,500	12,500
Forest Service	40,000	53,563	53,270
Human Nutrition Information Service .	86,250	15,750	32,500
National Agricultural Statistics Service	5,637	4,550	4,550
Total	3,555,845	3,486,153	3,115,983

The functions of the SBIR program, the solicitation, review and evaluation of proposals have been centralized in order to most effectively and efficiently serve the SBIR community. A committee composed of members of each contributing agency established six research topic areas:

1. Forest and Related Resources. Proposals were solicited to develop environmentally sound techniques to increase productivity of forest land and to increase the utilization of materials and resources from forest lands.
2. Plant Production and Protection. Research proposals were solicited to find ways to increase crop productivity so that effective and efficient food production and agricultural systems can be developed and strengthened.
3. Animal Production and Protection. Research proposals were solicited to find ways to enable producers to increase production and to assure a reliable and safe supply of animal protein while conserving resources and reducing production costs.
4. Air, Water and Soils. Research proposals were solicited to develop technology for using and conserving soil, water and air resources while sustaining optimum agricultural productivity.
5. Food Science and Nutrition. Research proposals were solicited in the area of food quality and safety and in those areas that address the reduction of post-harvest loss. In addition, research proposals were solicited that dealt with the assessment of the adequacy of nutrient intake.
6. Rural and Community Development. Research proposals were solicited to find ways to develop business opportunities in rural areas and to look for innovative ways to manage small rural business.

In response to the December 2, 1985, deadline announced in the Federal Register the Department of Agriculture received 273 proposals from small businesses that had innovative approaches to solve problems in U.S. agriculture. The agency contributions were pooled and grants were made without regard to the funding source. The proposals were peer reviewed and many high quality applications were identified. With the funds available for the program 34 awards could be made. A summary of the fiscal year 1986 solicitation follows:

<u>Program Area</u>	<u>Number of Proposals Received</u>	<u>Amount Requested</u>	<u>Number of Grants Awarded</u>	<u>Amount of Awards</u>
Forest and Related Resources.....	38	\$2,474,327	6	\$500,452
Plant Production and Protection ..	75	4,014,363	14	929,574
Animal Production and Protection..	62	3,622,747	8	822,010
Air, Water and Soils	30	1,725,804	5	395,094
Food Science and Nutrition	28	2,047,471	4	368,754
Rural and Community Development ..	40	2,548,849	6	539,961
Total	273	16,433,561	43	3,555,845

Selected examples of recent progress:

Artificial Seeds. Development of plant clones derived from tissue cultures of superior strains or genetically engineered strains is a relatively new development in plant breeding. The process is called somatic embryogenesis. The procedure has not proved practical for large-scale use by growers who remain dependent on seeds. The production of superior seeds is a multi-year process, which adds to the cost. Investigators at a company in California have accomplished the production of somatic embryos of alfalfa that can be grown in soil. The objective is to produce these "artificial seeds" directly from elite plant tissue in a way that can be used by the grower. They have already shown that embryos imbedded in a matrix can be handled much like seeds and that germination percent has been increased to a value approaching practicality. They anticipate cost-effective production of artificial seeds.

Automated Irrigation System. In arid areas, irrigation of crops is a difficult decisionmaking process that depends largely on the qualitative assessment of need by the grower. In most cases, he does not have a reliable measure of plant water status so he tends to overwater to ensure adequacy of available water to the crop plants. A small business in Arizona has developed a unique automated, feedback system based on the water status of the plant (cotton) determined by an in vivo sensor in the plant stem and a reference sensor in the soil. Information from the sensors is radioed to farm headquarters and pumping sites. Both furrow and drip irrigation methods were tested. Initial studies showed that the system worked and could be directly related to yield (in this case, boll count). An economic analysis has shown the system to be cost-effective. The objective is to produce a totally automated system.

Rural Telecommunications. In rural communities that are experiencing economic problems, it is essential that economic planning tools and development strategies be utilized. Telecommunications, readily available to urban communities, are under-utilized in rural areas. Investigators in California have completed an extensive analysis of the needs of farmers and rural residents for information. They found a lag in utilization of telecommunications equipment due to a lack of understanding of its capabilities and to the high cost of connection to information sources. They are now developing a model plan to create information industry jobs by establishing centers ("telecenters") in selected counties for use by planners of community needs and economic development. The results will demonstrate that economically depressed counties can utilize information from, for example, commercial real estate developers and other economically viable industries to develop a firm rural economy.

Nutrient Probes. Detection of sugar and proteins in food by conventional methods is tedious and time-consuming and cannot be utilized on a routine basis. A company in Louisiana is developing a novel, simple, and low-cost system for assaying directly, in situ, some nutrients in food. The researchers have already developed the multi-enzyme electrode for the specific determination of sucrose in a variety of food products. The electrode probe consists of a platinum electrode with three enzymes co-immobilized on the surface. In the presence of sucrose, a product quantitatively detectable by the electrode is formed. Protein is determined in much the same way, but using a different set of enzymes. The electrodes are in an advanced stage of development.

Pregnancy Detection. The pregnancy status of farm animals presents a problem to the producer. Progesterone concentration in plasma, milk, or sera can supply valuable information, but no simple test has been available. A small business in New Jersey has developed a reliable, on-farm test for progesterone. It is based on an enzyme immunoassay that produces a color in the presence of progesterone. The device has been field tested and is now being licensed to a pharmaceutical firm for production and marketing.

Gypsy Moth Control. Gypsy moths are a well-known scourge of many eastern forests. The wide dispersal of various chemical pesticides for their control has met with understandable resistance from nearby residents. Therefore, some effort is being made to find other, less hazardous methods for control. A company in Pennsylvania has developed a method for using a parasitoid of the moth for control. It is projected that the parasitoid will be used alone or as part of an integrated pest management system also under investigation in cooperation with the USDA Forest Service. In this project, the investigators have concentrated on the effect of kairomones (chemical stimulators of biological origin) from the moth, its larvae, and various moth products. They have determined that preconditioning with these products increases the effectiveness of the parasitoids in infecting the moths. Further manipulation of parasitoid:host densities will be carried out to produce the most cost-effective methods for mass rearing and disposal.

EXTENSION SERVICE

Purpose Statement

Cooperative extension work was established by the Smith-Lever Act of May 8, 1914, as amended. Legislation authorizes the Department of Agriculture to provide, through the land-grant colleges, cooperative extension work that consists of the development of practical applications of research knowledge and the giving of instruction and practical demonstrations of existing or improved practices or technologies in agriculture, uses of solar energy with respect to agriculture, home economics, related subjects and to encourage the application of such information by demonstrations, publications, and other means to persons not attending or resident in the colleges. This work is further emphasized in Title XIV (National Agricultural Research, Extension, and Teaching Policy) of the Food and Agriculture Act of 1977, as amended in 1981 and 1985.

To fulfill the requirements of the Smith-Lever Act, state and county Extension offices in each State, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, American Samoa, the Northern Marianas and Micronesia, conduct educational programs to improve American agriculture and strengthen the Nation's families and communities.

The Extension Service, USDA, provides national leadership and represents the U.S. Department of Agriculture within the Cooperative Extension System, comprised of some 21,000 state and local Extension system employees and 2.9 million program service volunteers. As of September 30, 1986, there were 170 full-time permanent employees and 8 other than full-time permanent employees, all located in the D.C. metropolitan area.

EXTENSION SERVICEAvailable Funds and Staff-Years1986 Actual and Estimated, 1987 and 1988

Item	1986 Actual	Staff- Years	1987 Estimated	Staff- Years	1988 Estimated	Staff- Years
Extension Service.....	\$327,792,975	180	\$331,919,000	178	\$262,587,000	157
Obligations under Other USDA						
Appropriations:						
Agricultural Stabilization and Conservation Service -						
Conservation Reserve Program.....	66,000		--		--	
Rural Clean Water Project.....	559,163		400,000		400,000	
Agricultural Research Service -						
DIALCOM.....	2,000		3,000		3,000	
Support Services.....	5,360		6,000		6,000	
Evaluation Studies.....	167,000		150,000		150,000	
Animal and Plant Health Insp. Serv. -						
Grasshopper Control Program.....	10,000		--		--	
International Rural Youth Conf.....	15,000		--		--	
Cooperative State Research Service -						
Aquaculture Program.....	30,000		30,000		30,000	
Food Preservation Center.....	30,000		17,000		17,000	
REGIS.....	100,000		--		--	
Economic Research Service -						
International Rural Youth Conf.....	15,000		--		--	
Federal Crop Insurance Corporation -						
Crop Insurance Workshops.....	41,725		50,000		50,000	
Nature & Role of Crop Insurance....	300,000		300,000		300,000	
Food Safety and Inspection Service -						
FARAD.....	175,000		--		--	
Foreign Agricultural Service -						
Data Information Service.....	1,500		2,000		2,000	
Office of Grants & Programs Systems-						
Hybrid Bass Culture Workshop.....	5,000		--		--	
Total, Other USDA Appropriations	1,522,748	--	958,000	--	958,000	--
Total, Agriculture Appropriations	329,315,723	180	332,877,000	178	263,545,000	157

Item	1986	1987	1988
	Actual	Estimated	Estimated
	Staff-	Staff-	Staff-
	Years	Years	Years
Other Federal Funds:			
Reimbursements:			
AID-PASA International Extension.....	3,273,001:	2,800,000:	2,800,000:
Department of Interior -			
Fish & Wildlife Recognition Program	6,200:	10,000:	10,000:
Toxicological Impacts.....	9,500:	--	--
Environmental Protection Agency -			
Farmworker Safety.....	21,000:	29,000:	29,000:
Lake Erie Basin of Ohio.....	50,000:	--	--
Special Projects-Nebraska.....	62,100:	68,000:	68,000:
Pesticide Applicator Training.....	1,134,205:	1,332,000:	1,332,000:
U.S. Army -			
Family Life Enrichment.....	160,000:	1,000,000:	1,000,000:
U.S. Navy -			
Natural Resource Management Plans..	100,000:	--	--
Fence Interference Mitigation.....	183,000:	8,000:	8,000:
Total, Other Federal Funds	5,004,006:	5,247,000:	5,247,000:
Non-Federal Funds:			
Federal Assistance Program Retrieval.	13,840:	20,000:	20,000:
Federal Telecommunications System....	84,186:	125,000:	125,000:
Federal Building Fund.....	235,114:	250,000:	250,000:
Cost Share Printing.....	64,756:	100,000:	100,000:
Total, Non-Federal Funds	397,896:	495,000:	495,000:
Total, Extension Service	334,717,625: 180	338,619,000: 178	269,287 000: 157

	1986	1987	1988
	Actual	Estimated	Estimated
Full-Time Equivalent Staff-Years:			
Ceiling.....	179	177	156
Non-Ceiling.....	1	1	1
Total.....	<u>180</u>	<u>178</u>	<u>157</u>

EXTENSION SERVICE

Permanent Positions by Grade and Staff-Year Summary

1986 and Estimated 1987 and 1988

GRADE	1986	1987	1988 est. a/
ES-5	1	1	1
ES-4	4	4	4
ES-3	2	2	2
ES-2	1	1	1
GS/GM-15	31	31	27
GS/GM-14	33	33	29
GS/GM-13	11	11	10
GS-12	4	4	3
GS-11	9	9	8
GS-9	6	6	5
GS-8	7	7	6
GS-7	18	18	16
GS-6	31	31	27
GS-5	10	10	9
GS-4	9	9	8
GS-3	2	2	2
GS-2	1	1	1
Total, Permanent Positions:	180	180	159
Staff Years:			
Ceiling.....	179	177	156
Non-ceiling.....	1	1	1
TOTAL.....	180	178	157

a/ Estimate of Permanent Positions by grade. Specific grade levels cannot be determined at this time.

EXTENSION SERVICE

CLASSIFICATION BY OBJECTS1986 and Estimated 1987 and 1988

	<u>1986</u>	<u>1987</u>	<u>1988</u>
Personnel Compensation:			
Headquarters.....	\$ 6,803,984	\$ 7,069,000	\$ 6,579,000
Field.....	- -	- -	- -
11 Total Personnel Compensation.....	6,803,984	7,069,000	6,579,000
12 Personnel Benefits.....	788,465	818,000	1,206,000
13 Benefits for Former Pers..	- -	- -	294,000
Total Pers. Comp. & Benefits.....	<u>7,592,449</u>	<u>7,887,000</u>	<u>8,079,000</u>
Other Objects:			
21 Travel.....	661,293	650,000	600,000
22 Transportation of things.	94,109	100,000	89,000
23.2 Communications, utilities & other rent..	545,289	550,000	510,000
24 Printing & reproduction..	410,892	415,000	380,000
25 Other services.....	1,724,026	1,725,000	1,535,000
26 Supplies & materials.....	198,694	200,000	180,000
31 Equipment.....	196,768	200,000	178,000
41 Grants, subsidies & contributions.....	<u>316,369,455</u>	<u>320,192,000</u>	<u>251,036,000</u>
Total other objects.....	<u>320,200,526</u>	<u>324,032,000</u>	<u>254,508,000</u>
Total direct obligations.....	<u>327,792,975</u>	<u>331,919,000</u>	<u>262,587,000</u>
<u>Position Data:</u>			
Average Salary, ES positions.....	\$67,730	\$69,250	\$69,760
Average Salary, GS positions.....	\$36,920	\$37,750	\$38,030
Average Grade, GS positions.....	10.08	10.08	10.06

EXTENSION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

- Payments to States, Puerto Rico, Guam, the Virgin Islands, Micronesia, Northern Marianas, and American Samoa: For payments for cooperative agricultural extension work under the Smith-Lever Act, as amended by the Act of June 26, 1953, the Act of August 11, 1955, the Act of October 5, 1962 (7 U.S.C. 341-349), section 506 of the Act of June 23, 1972, and the Act of September 29, 1977 (7 U.S.C. 341-349), as amended, and section 1361(c) of the Act of October 3, 1980 (7 U.S.C. 301n.), to be distributed under sections 3(b) and 3(c) of said Act, for retirement and employees' compensation costs for extension agents and for costs of penalty mail for cooperative extension agents and State extension
- 1 directors, [\$229,713,000] \$237,594,000; [payments for the nutrition and family education program for low-income areas under section 3(d) of the Act, \$57,635,000, of which \$38,627,000 shall be derived by transfer from the appropriation "Food Stamp Program" and merged with this appropriation; payments for the urban gardening program under section 3(d) of the Act, \$3,329,000; payments for the pest management program under section 3(d) of the Act, \$7,164,000; payments for the farm safety program under section 3(d) of the Act, \$970,000; payments for the pesticide impact assessment program under section 3(d) of the Act, \$1,633,000; payments for a financial management assistance program under section 3(d) of the Act and section 1440 of Public Law 99-198, \$3,277,000; payments for an integrated reproductive management program under section 3(d) of the Act, \$47,000; payments for the rural development centers under section 3(d) of the Act, \$689,000;]
 - 2 payments for extension work under section 209(c) of Public Law 93-471, [\$935,000] \$970,000; [payments for carrying out the provisions of the Renewable Resources Extension Act of 1978, \$2,378,000; for special grants for financially stressed farmers and dislocated farmers as authorized by section 1440 of Public Law 99-198, \$1,500,000;] and payments for extension work by the colleges receiving the benefits of the second Morrill Act (7 U.S.C. 321-326, 328) and Tuskegee University, [\$16,877,000]
 - 3 \$18,291,000; in all, [\$326,147,000] \$256,855,000; [of which not less than \$79,400,000 is for Home Economics:] Provided, That funds hereby appropriated pursuant to section 3(c) of the Act of June 26, 1953, and section 506 of the Act of June 23, 1972, as amended, shall not be paid to any State, Puerto Rico, Guam, or the Virgin Islands, Micronesia, Northern Marianas and American Samoa prior to availability of an equal sum from non-Federal sources for expenditure during the current fiscal year.

- Federal administration and coordination: For administration of the Smith-Lever Act, as amended by the Act of June 26, 1953, the Act of August 11, 1955, the Act of October 5, 1962, section 506 of the Act of June 23, 1972, section 209(d) of Public Law 93-471, and the Act of September 29, 1977 (7 U.S.C. 341-349), as amended, and section 1361(c) of the Act of October 3, 1980 (7 U.S.C. 301n.), and to coordinate and provide program leadership for the extension work of the Department and the several States
- 4 and insular possessions, [\$6,025,000] \$5,732,000; [of which not less than \$2,300,000 is for Home Economics.]

The first change is for the purpose of deleting language providing earmarked funding for the nutrition and family education program and transfer from Food Stamp Program for EFNEP, Urban Gardening, Pest Management, Farm Safety, Pesticide Impact Assessment, Farm Financial Management Assistance, Rural Development Centers, and Integrated Reproductive Management. Earmarked funding for these programs is not proposed in fiscal year 1988.

The second change deletes language providing earmarked funding for programs funded under the Renewable Resources Extension Act and Section 1440 grants.

The third and fourth changes delete the requirement establishing a level of support for Extension's Home Economics program. This provision conflicts with the proposed termination of the EFNEP funding as well as the primary intent of the Smith-Lever Act giving maximum flexibility to the State Cooperative Extension Services in determining programs needing attention in the respective States.

EXTENSION SERVICE

Appropriation Act, 1987.....	\$332,172,000 a/
Budget Estimate, 1988.....	<u>262,587,000</u>
Decrease in Appropriation.....	<u>-69,585,000</u>

Adjustments in 1987

Appropriations Act, 1987.....	\$332,172,000	
Transfer to Cooperative State Research		
Service for OGPS activities.b/.....	<u>-253,000</u>	
Adjusted base for 1987.....		331,919,000
Budget Estimate, 1988.....		<u>262,587,000</u>
Decrease from adjusted 1987.....		<u>-69,332,000</u>

a/ Includes \$38,627,000 transferred from the Food Stamp Program to Extension Service, pursuant to P.L. 99-190, for the Expanded Food and Nutrition Education Program (EFNEP).

b/ A transfer of \$253,000 to Cooperative State Research Service to establish funding for OGPS activities.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>1987 Estimated</u>	<u>Pay Costs and FERS</u>	<u>Program Changes</u>	<u>1988 Estimated</u>
Smith-Lever Sections 3b&c.....	\$229,713,000	- -	+\$7,881,000	\$237,594,000
Smith-Lever Section 3d:				
Food and Nutrition Education.	57,635,000	- -	-57,635,000	- -
Pest Management.....	7,164,000	- -	-7,164,000	- -
Farm Safety.....	970,000	- -	-970,000	- -
Pesticide Impact Assessment..	1,633,000	- -	-1,633,000	- -
Urban Gardening.....	3,329,000	- -	-3,329,000	- -
Financial Management.....	1,427,000	- -	-1,427,000	- -
IRM.....	47,000	- -	-47,000	- -
Rural Development Centers....	689,000	- -	-689,000	- -
Renewable Resource Extension Act.	2,378,000	- -	-2,378,000	- -
D. C. Extension.....	935,000	- -	+35,000	970,000
Section 1440 Grants.....	3,350,000	- -	-3,350,000	- -
1890 Colleges and Tuskegee University.....	16,877,000	- -	+1,414,000	18,291,000
Federal Administration and Coordination.....	<u>5,772,000</u>	<u>+\$587,000</u>	<u>-627,000</u>	<u>5,732,000</u>
Total, Available.....	<u>331,919,000</u>	<u>+ 587,000</u>	<u>-69,919,000</u>	<u>262,587,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	1986		1987		Increase or Decrease	1988	
	Actual	Staff	Estimated	Staff		Estimated	Staff
	Amount	Years	Amount	Years		Amount	Years
1. Payments to States:							
a. Smith-Lever Act							
(1) Sections 3b & c							
Program.....	\$224,193,480	132	\$224,193,480	131	+7,565,760	\$231,759,240	131
Set-aside for							
Federal Admin-							
istration (4%)..	5,516,975	--	5,519,520	--	+315,240	5,834,760	--
Subtotal, Sections							
3b & c.....	229,710,455	132	229,713,000	131	+7,881,000(1)	237,594,000	131
(2) Section 3(d):							
Program:							
Food and Nutri-							
tion (EFNEP)....	57,635,000	5	57,635,000	5	-57,635,000	--	--
Pest Management..	7,164,000	2	7,164,000	2	-7,164,000	--	--
Farm Safety.....	970,000	2	970,000	2	-970,000	--	--
Pesticide Impact:							
Assessment.....	1,633,000	2	1,633,000	2	-1,633,000	--	--
Urban Gardening..	3,329,000	2	3,329,000	2	-3,329,000	--	--
Financial Mgmt...:	1,427,000	2	1,427,000	2	-1,427,000	--	--
Integrated Re-							
productive Mgmt:	47,000	--	47,000	--	-47,000	--	--
Rural Develop-							
ment Centers :	689,000	2	689,000	2	-689,000	--	--
Set-aside for							
Federal Admin-							
istration (4%)..	--	--	--	--	--	--	--
Subtotal, Section							
3(d).....	72,894,000	17	72,894,000	17	-72,894,000(2)	--	--
Total, payments under							
the Smith-Lever Act..	302,604,455	149	302,607,000	148	-65,013,000	237,594,000	131
b. Payments under							
Renewable Re-							
sources Ext-							
ension Act.....	2,378,000	1	2,378,000	--	-2,378,000 (3)	--	--
c. Payments to the							
District of							
Columbia:							
Program.....	897,600	1	897,600	1	+33,600	931,200	--
Set-aside for							
Federal Admin-							
istration (4%)..	37,400	--	37,400	--	+1,400	38,800	--
Total, payments to							
the District of							
Columbia.....	935,000	1	935,000	1	+35,000 (4)	970,000	--
d. Payments to 1890							
Colleges and							
Tuskegee Univ:							
Program.....	16,201,920	2	16,201,920	2	+1,357,440	17,559,360	1
Set-aside for							
Federal Admin-							
istration (4%)..	675,080	--	675,080	--	+56,560	731,640	--
Total, payments to							
1890 Colleges and							
Tuskegee University:	16,877,000	2	16,877,000	2	+1,414,000 (5)	18,291,000	1

Project	1986	Staff:	1987	Staff:	Increase or Decrease	1988	Staff:
	Actual		Estimated			Estimated	
	Amount	Years	Amount	Years		Amount	Years
e. Payments under Section 1440: Program.....	--	--	3,350,000	--	-3,350,000	--	--
Set-aside for Federal Administration (4%)..	--	--	--		--	--	--
Total, payments under Section 1440..	--	--	3,350,000	--	-3,350,000 (6)	--	--
2. Federal Administration and Coordination (Direct Appropriation)....	4,998,520	27	5,772,000	27	-40,000	5,732,000	25
Unobligated balance.....	23,025	--	--	--	--	--	--
Total available or estimate.....	327,816,000	180	331,919,000	178	-69,332,000	262,587,000	157
Transfer from the Food Stamp Program.....	-38,627,000	--	-38,627,000	--			
Transfer to CSRS for OGPS activities....	+193,000	--	+253,000	--			
Total, appropriation:	289,382,000	180	293,545,000	178			

Explanation of Program

Appropriations for the Extension Service enable the U.S. Department of Agriculture to perform its partnership role with State and local counterparts to carry out Cooperative Extension work for the benefit of our Nation's farmers and ranchers, and agricultural industries, rural and urban communities, families and youth, and the ultimate consumers of agricultural goods and services.

Cooperative Extension work is authorized under the Smith-Lever Act of 1914, as amended; the Rural Development Act of 1972, as amended; and the District of Columbia Public Postsecondary Education Reorganization Act. The National Agricultural Research, Extension and Teaching Policy Act Amendments of 1981 and 1985 (Title XIV of the Agriculture and Food Acts of 1981 and 1985) also authorize the Federal Government, States and counties to implement cooperative Extension programs commensurate with needs stemming from changes in U.S. agricultural practices and the world food and agricultural situation.

The Extension Service, an agency in USDA, is a legislated partner in the cooperative effort with each State, the District of Columbia, Puerto Rico, Guam, the Virgin Islands, American Samoa, the Northern Marianas, and Micronesia.

Extension work in States and counties is financed from Federal, State, county and local sources and is jointly planned with ES-USDA to provide educational programs adapted to national, state, and local problems and conditions. Extension helps people identify and solve their farm, home, and community problems through use of research findings of the U.S. Department of Agriculture and the State Land-Grant colleges and universities.

JUSTIFICATION OF INCREASES/DECREASES

- (1) An increase of \$7,881,000 in payments to States for formula funded programs under Section 3(c) of the Smith-Lever Act (\$229,713,000 available in FY 1987)

Need for Change. The Federal partner currently provides approximately 33% of the total Extension resources. Additional Federal funding will provide resources for the continuation and strengthening of programs addressing ongoing high priority national concerns in such areas as: (1) restoration of profitability to American agriculture; (2) managing and conserving natural resources such as groundwater and highly erodible and dwindling croplands; (3) proper pesticide and chemical use and management; (4) revitalizing of Rural America; (5) coordinating critical nutrition education more closely with agricultural producers and researchers. Formula distribution allows for the continuing viability of an educational outreach system in all states and territories, which can systematically assess and adapt research results for appropriate application, and respond to emerging problems, natural disasters, current crisis in agriculture, and other activities requiring national leadership and effort.

Nature of Change. This proposal would increase the Federal funding as well as required matching from State and local funds for cooperative extension programs at the Land-Grant universities from current levels. Contributions to the Extension system by the State and local partners can be directed toward priorities identified at the national level.

- (2) A decrease of \$72,894,000 in payments to States for specifically earmarked programs funded under Section 3(d) of the Smith-Lever Act consisting of:
- (a) A decrease of \$57,635,000 in the Expanded Food and Nutrition Education program (EFNEP) (\$57,635,000 available in FY 1987)
 - (b) A decrease of \$7,164,000 for the Integrated Pest Management (IPM) Program (\$7,164,000 available in FY 1987)
 - (c) A decrease of \$970,000 to eliminate earmarked funding for Farm Safety (\$970,000 available in FY 1987)
 - (d) A decrease of \$1,633,000 for the National Agricultural Pesticides Impact Assessment Program (NAPIAP) (\$1,633,000 available in FY 1987)
 - (e) A decrease of \$3,329,000 to eliminate the Urban Gardening Program (\$3,329,000 available in FY 1987)
 - (f) A decrease of \$1,427,000 to eliminate this special funding for assistance to farmers in Financial Management (\$1,427,000 available in FY 1987)

- (g) A decrease of \$47,000 for the Integrated Reproductive Management (IRM) Program (\$47,000 available in FY 1987)
- (h) A decrease of \$689,000 for support of Regional Rural Development Centers (\$689,000 available in FY 1987)

Need for Change. Programs in these specific areas have been developed with prior earmarked funds. Funding from basic formula programs, State and local governments and private sources could be used to continue high priority aspects of these programs.

Nature of Change. This proposal will eliminate specifically earmarked funding for all programs under Section 3(d) of the Smith-Lever Act, consistent with overall Federal spending reductions.

- (3) A decrease of \$2,378,000 to eliminate earmarked funding for the Renewable Resources Extension Act (P.L. 95-306) (\$2,378,000 available in FY 1987)

Need for Change. RREA funds have assisted State and local efforts to initiate and develop programs in forest and range conservation and utilization. These funds have stimulated additional State and local support for educational programs for small, private, non-industrial forest and range landowners. Elimination of this earmarked Federal RREA funding is being proposed in favor of non-earmarked formula funds and to assist in deficit reduction efforts.

Nature of Change. This proposal will eliminate specifically earmarked funding for this program.

- (4) An increase of \$35,000 for extension programs in the District of Columbia (\$935,000 available in FY 1987)

Need for Change. An increase is proposed in Federal family support to D.C. Extension consistent with proposals for other base formula funded Extension activities to continue high-priority programs of national concern.

Nature of Change. This proposal will increase funds for D.C. Extension provided under section 209(c) of Public Law 93-471.

- (5) An increase of \$1,414,000 for payments to the 1890 Colleges and Tuskegee University (\$16,877,000 available in FY 1987)

Need for Change. Increased funding for Extension programs at colleges receiving the benefits of the second Morrill Act and Tuskegee University is proposed. This USDA effort is focused on continuing and strengthening extension activities at these historically black colleges. This funding level should provide further help to small minority farmers and families and assure maximum assistance to increasing clientele needs.

Nature of Change. This proposal would increase the Federal assistance to Extension programs at the 1890 Colleges and Tuskegee University provided for by the second Morrill Act.

- (6) A decrease of \$3,350,000 for payments to States under Section 1440 of the Food Security Act of 1985 (\$3,350,000 available in FY 1987)

Need for Change. Section 1440 Grants were given to the states of Nebraska, Iowa and Missouri in the amount of \$500,000 each. Additionally, \$1,850,000 was distributed in grants to 5 states to provide educational and counseling programs for economically distressed or displaced farmers. Funding from other sources could be used to continue high priority aspects of these programs.

Nature of Change. This proposal will eliminate specifically earmarked funding for this program.

- (7) A net decrease of \$40,000 for Federal Administration and Coordination (direct appropriation) (\$5,772,000 available in FY 1987)

- (a) A decrease of \$1,380,000 consisting of: \$333,000 for pilot projects on Technology Transfer; \$191,000 for a pilot project on Farm and Financial Management; \$356,000 for ORDP Grants; and \$500,000 for ATTRA.

Need for Change. Technology Transfer pilot projects in Oklahoma and Mississippi provided in FY1987 are not being recommended for continuation. The funds provided during the past several years were sufficient to complete this demonstration project.

The pilot project on farm and financial management, the ORDP Grants, and ATTRA are also not being recommended for funding in FY 1988.

Reductions in staffing and associated operating expenses are proposed in FY 1988. These reductions are proposed consistent with program changes discussed in other sections.

Nature of Change. This proposal will eliminate funding support associated with reduced staffing and operating levels, and for special projects dealing with technology transfer, farm and financial management, the ORDP Grants, and ATTRA.

- (b) An increase of \$753,000 for lump sum payments, severance pay, and other nonrecurring program termination costs.
- (c) An increase of \$189,000 to annualize 1987 pay costs and to restore pay costs absorbed in 1987 and an increase of \$398,000 to fund increased costs associated with the Federal Employees Retirement System.

Table I
 APPROPRIATIONS FOR PAYMENTS TO STATES, STATE ALLOTMENTS, FY 1986 - 1988

Smith-Lever Act: Sec. 3(b) & 3(c)	FY 1986	FY 1987	Total Proposed for FY 1988
Alabama	\$ 5,091,285	\$ 5,082,287	\$ 5,233,649
Alaska	725,650	718,955	753,547
American Samoa	621,736	612,910	641,309
Arizona	1,279,048	1,265,979	1,322,232
Arkansas	4,262,914	4,248,233	4,387,859
California	5,080,441	5,063,803	5,287,647
Colorado	2,004,190	1,990,982	2,077,483
Connecticut	1,513,306	1,512,405	1,576,111
Delaware	856,085	846,244	887,425
Florida	2,942,297	2,925,054	3,059,774
Georgia	5,637,696	5,621,818	5,815,768
Guam	652,791	644,605	674,906
Hawaii	926,583	918,522	954,434
Idaho	1,794,162	1,777,801	1,863,368
Illinois	6,680,082	6,679,093	6,968,850
Indiana	5,985,506	5,976,762	6,249,121
Iowa	6,342,166	6,340,498	6,636,457
Kansas	3,739,998	3,733,707	3,892,312
Kentucky	6,406,205	6,384,372	6,631,588
Louisiana	3,779,315	3,772,623	3,896,767
Maine	1,514,457	1,500,208	1,564,085
Maryland	2,300,766	2,306,650	2,399,010
Massachusetts	1,893,499	1,887,183	1,965,685
Michigan	6,094,827	6,069,186	6,325,998
Micronesia	668,659	659,560	692,411
Minnesota	5,966,276	5,958,928	6,221,686
Mississippi	5,319,318	5,311,074	5,449,469
Missouri	5,911,800	5,897,386	6,153,107
Montana	1,687,487	1,676,538	1,753,188
Nebraska	3,371,769	3,364,755	3,515,900
Nevada	731,560	721,075	756,906
New Hampshire	1,067,106	1,050,126	1,102,610
New Jersey	1,862,287	1,858,509	1,935,860
New Mexico	1,382,305	1,370,870	1,426,686
New York	5,765,407	5,771,279	5,998,459
North Carolina	8,525,838	8,515,521	8,795,468
North Dakota	2,348,277	2,342,168	2,441,332
Ohio	7,347,534	7,335,644	7,651,053
Oklahoma	3,804,609	3,786,202	3,931,894
Oregon	2,370,418	2,352,651	2,463,413
Pennsylvania	7,199,920	7,192,541	7,485,398
Puerto Rico	5,501,994	5,508,444	5,610,878
Rhode Island	729,514	721,367	755,113
South Carolina	4,174,955	4,170,040	4,296,997
South Dakota	2,421,072	2,414,136	2,519,865
Tennessee	6,204,617	6,189,900	6,401,240
Texas	8,571,338	8,523,721	8,838,551
Utah	1,124,360	1,115,059	1,163,241
Vermont	1,195,772	1,185,746	1,239,284
Virgin Islands	634,698	624,404	654,412
Virginia	5,143,820	5,138,897	5,316,808
Washington	2,813,746	2,797,637	2,922,796
West Virginia	2,997,978	2,981,569	3,085,872
Wisconsin	5,962,604	5,948,166	6,210,102
Wyoming	1,011,528	999,523	1,045,617
No. Mariana Is.	--	592,255	620,330
Subtotal	\$ 191,943,571	\$ 191,955,571	\$ 199,521,331
3(b) Special Needs	1,544,909	1,544,909	1,544,909
3(c) Administration	5,519,520	5,507,520	5,322,760
TOTAL	\$ 199,008,000	\$ 199,008,000	\$ 206,889,000

Table IA
 APPROPRIATIONS FOR PAYMENTS TO STATES
 PESTICIDE IMPACT ASSESSMENT, FY 1986 - 1988

Smith-Lever Act: Section 3(d)	FY 1986	FY 1987	Total Proposed for FY 1988
Alabama	\$ 24,287	\$ 24,287	--
Alaska	8,491	8,491	--
Arizona	17,980	17,980	--
Arkansas	37,917	37,917	--
California	82,862	82,862	--
Colorado	18,976	18,976	--
Connecticut	11,155	11,155	--
Delaware	10,940	10,940	--
Florida	34,080	34,080	--
Georgia	53,195	53,195	--
Guam	8,620	8,620	--
Hawaii	11,177	11,177	--
Idaho	18,770	18,770	--
Illinois	75,047	75,047	--
Indiana	39,000	39,000	--
Iowa	72,061	72,061	--
Kansas	32,535	32,535	--
Kentucky	21,032	21,032	--
Louisiana	23,126	23,126	--
Maine	13,573	13,573	--
Maryland	16,505	16,505	--
Massachusetts	14,331	14,331	--
Michigan	31,916	31,916	--
Minnesota	48,656	48,656	--
Mississippi	38,171	38,171	--
Missouri	35,076	35,076	--
Montana	16,419	16,419	--
Nebraska	48,392	48,392	--
Nevada	9,744	9,744	--
New Hampshire	9,552	9,552	--
New Jersey	14,796	14,796	--
New Mexico	11,847	11,847	--
New York	29,003	29,003	--
North Carolina	43,402	43,402	--
North Dakota	20,430	20,430	--
Ohio	39,700	39,700	--
Oklahoma	26,461	26,461	--
Oregon	20,264	20,264	--
Pennsylvania	24,268	24,268	--
Puerto Rico	8,519	8,519	--
Rhode Island	10,400	10,400	--
South Carolina	25,400	25,400	--
South Dakota	19,430	19,430	--
Tennessee	22,795	22,795	--
Texas	73,493	73,493	--
Utah	11,519	11,519	--
Vermont	10,193	10,193	--
Virgin Islands	8,987	8,987	--
Virginia	22,933	22,933	--
Washington	26,116	26,116	--
West Virginia	11,408	11,408	--
Wisconsin	33,276	33,276	--
Wyoming	10,774	10,774	--
Subtotal	\$ 1,409,000	\$ 1,409,000	--
Special Projects	224,000	224,000	--
Total	\$ 1,633,000	\$ 1,633,000	--

Table 1B
 APPROPRIATIONS FOR PAYMENTS TO STATES
 FOOD AND HUMAN NUTRITION EDUCATION, FY 1986 - 1988

Smith-Lever Act: Section 3(d)	FY 1986	FY 1987	Total Proposed for FY 1988
ALABAMA	\$ 1,885,632	\$ 1,885,632	--
ALASKA	164,807	164,807	--
AMERICAN SAMOA	56,790	56,790	--
ARIZONA	531,717	531,717	--
ARKANSAS	1,201,495	1,201,495	--
CALIFORNIA	3,110,720	3,110,720	--
COLORADO	526,878	526,878	--
CONNECTICUT	429,580	429,580	--
DELAWARE	210,824	210,824	--
FLORIDA	1,929,640	1,929,640	--
GEORGIA	2,052,088	2,052,088	--
GUAM	56,891	56,891	--
HAWAII	245,615	245,615	--
IDAHO	277,783	277,783	--
ILLINOIS	2,021,288	2,021,288	--
INDIANA	1,144,714	1,144,714	--
IOWA	861,573	861,573	--
KANSAS	659,403	659,403	--
KENTUCKY	1,583,719	1,583,719	--
LOUISIANA	1,778,991	1,778,991	--
MAINE	401,198	401,198	--
MARYLAND	799,779	799,779	--
MASSACHUSETTS	919,429	919,429	--
MICHIGAN	1,694,038	1,694,038	--
MICRONESIA	59,988	59,988	--
MINNESOTA	945,641	945,641	--
MISSISSIPPI	1,630,940	1,630,940	--
MISSOURI	1,477,194	1,477,194	--
MONTANA	282,262	282,262	--
NEBRASKA	512,954	512,954	--
NEVADA	162,033	162,033	--
NEW HAMPSHIRE	226,257	226,257	--
NEW JERSEY	1,012,092	1,012,092	--
NEW MEXICO	482,338	482,338	--
NEW YORK	3,215,361	3,215,361	--
NORTH CAROLINA	2,407,913	2,407,913	--
NORTH DAKOTA	328,419	328,419	--
OHIO	2,083,151	2,083,151	--
OKLAHOMA	998,816	998,816	--
OREGON	466,337	466,337	--
PENNSYLVANIA	2,559,963	2,559,963	--
PUERTO RICO	1,305,858	1,305,858	--
RHODE ISLAND	288,013	288,013	--
SOUTH CAROLINA	1,455,041	1,455,041	--
SOUTH DAKOTA	370,462	370,462	--
TENNESSEE	1,883,932	1,883,932	--
TEXAS	3,988,439	3,988,439	--
UTAH	291,883	291,883	--
VERMONT	223,741	223,741	--
VIRGIN ISLANDS	56,330	56,330	--
VIRGINIA	1,608,999	1,608,999	--
WASHINGTON	642,526	642,526	--
WEST VIRGINIA	930,776	930,776	--
WISCONSIN	908,647	908,647	--
WYOMING	179,382	179,382	--
Subtotal	\$57,530,280	\$57,530,280	--
Federal Administration	104,720	104,720	--
TOTAL	57,635,000	57,635,000	--

TABLE IC
APPROPRIATIONS FOR PAYMENTS TO THE 1890 LAND-GRANT COLLEGES
AND TUSKEGEE UNIVERSITY, FY 1986 - 1988

Food and Agri'l. Act: Section 1444	FY 1986	FY 1987	Total Proposed for FY 1988
ALABAMA:			
Alabama A&M University	\$ 887,840	\$ 887,840	\$ 957,791
Tuskegee University	887,840	887,840	957,791
ARKANSAS:			
University of Arkansas at Pine Bluff	788,272	788,272	854,235
DELAWARE:			
Delaware State College	293,798	293,798	315,927
FLORIDA:			
Florida A&M University	708,640	708,640	770,686
GEORGIA:			
Fort Valley State College	1,032,040	1,032,040	1,120,613
KENTUCKY:			
Kentucky State University	1,278,435	1,278,435	1,393,492
LOUISIANA:			
Southern University and A&M College	738,361	738,361	796,123
MARYLAND:			
University of Maryland- Eastern Shore	565,497	565,497	609,784
MISSISSIPPI:			
Alcorn State University	904,712	904,712	969,275
MISSOURI:			
Lincoln University	1,247,845	1,247,845	1,367,837
NORTH CAROLINA:			
North Carolina A&T State University	1,587,817	1,587,817	1,713,974
OKLAHOMA:			
Langston University	761,026	761,026	830,326
SOUTH CAROLINA:			
South Carolina State College	784,653	784,653	843,348
TENNESSEE:			
Tennessee State University	1,186,949	1,186,949	1,284,727
TEXAS:			
Prairie View A&M University	1,543,280	1,543,280	1,686,773
VIRGINIA:			
Virginia State University	1,004,915	1,004,915	1,086,658
Subtotal	\$16,201,920	\$16,201,920	\$17,559,360
Fed. Administration	675,080	675,080	731,640
TOTAL	\$16,877,000	\$16,877,000	\$18,291,000

TABLE II

APPROPRIATION FOR PAYMENTS TO STATES

BASIS OF ALLOTMENT AND MATCHING REQUIRED, FISCAL YEAR 1988

Item	Total Estimate 1988	Allotment	Amount Paid: Without Matching	Amount Required Matching
Smith-Lever Act:				
Section 3(b)	\$237,594,000	\$ 56,475,091 - Fixed by Section 3(b) of PL 87-749:	\$14,513,808	\$ 41,961,283
		1,544,909 - Special need:	--	1,544,909
Section 3(c)		(148,869,000)	6,822,760	142,046,240
		57,018,496 - by farm population		
		57,018,496 - by rural population		
		29,009,248 - equally; and		
		5,822,760 - for federal administra- tion and coordination: Sec. 3(c) 1		
Retirement & Employee Compens- ation Cost		15,252,000 - Federal con- tribution to: these funds	15,252,000	--
Penalty Mail		15,453,000 - Reimburse- ment to the Postal Serv.	15,453,000	--
Title XIV, Food & Agr'l Act 1977:	18,291,000	(18,291,000)	18,291,000	--
Section 1444, as amended, 1890		731,640 - 4% Fed. Adm.		
Colleges		17,559,360 - Balance paid: to 1890 Colleges and Tuskegee		
D.C. Public Postsecondary Education Reorganization Act	970,000	(970,000) 38,800 - 4% Fed. Adm. 931,200 - Balance paid: to Univ. of D.C.	38,800	931,200
TOTAL	\$256,855,000	\$256,855,000	\$70,371,368	\$186,483,632

TABLE III
SOURCES OF FUNDS ALLOTTED FOR COOPERATIVE EXTENSION WORK
for Fiscal Year Ending September 30, 1987

States	Grand Total	Total Federal Funds	Total Within States	Funds From Federal Sources			Funds From Non-Federal Sources				
				Penalty Mail	Smith-Lever Act Retirement	All Other	Renewable Res. Extension Act	Section 1444 1890 Colleges	State (Est.)	County (Est.)	Non-tax (Est.)
Alabama	25,186,043	9,955,752	15,230,291	376,829	471,317	7,249,345	82,581	1,775,680	12,444,601	2,232,633	553,057
Alaska	5,860,568	1,150,368	4,710,200	43,732	71,898	992,273	42,465	--	3,955,700	--	754,500
American Samoa	735,411	685,411	50,000	15,711	--	669,700	--	--	50,000	--	--
Arizona	9,130,674	2,456,207	6,674,467	118,508	163,547	2,134,896	39,256	--	6,061,260	322,946	290,261
Arkansas	21,561,504	7,327,804	14,233,700	303,496	407,167	5,757,520	71,349	788,272	12,848,172	1,309,877	75,551
California	55,287,188	9,508,962	45,778,226	612,798	62,365	8,746,404	87,395	--	34,553,270	8,553,592	2,671,364
Colorado	15,791,647	3,213,368	12,578,279	182,945	183,893	2,800,856	45,674	--	6,093,595	6,189,869	294,715
Connecticut	5,219,670	2,212,201	3,007,469	110,351	8,190	2,093,660	--	--	2,687,419	--	320,050
Delaware	2,920,417	1,520,597	1,399,820	47,767	42,004	1,137,028	--	293,793	1,213,172	59,890	126,769
Florida	35,174,278	6,726,484	28,447,794	378,616	380,400	5,192,293	66,535	708,640	15,178,077	12,688,077	581,640
Georgia	49,828,992	10,519,133	39,309,859	513,589	630,636	8,203,868	89,000	1,032,040	28,452,798	6,886,880	3,970,191
Guam	1,196,825	744,034	452,791	23,918	--	720,116	--	--	452,791	--	--
Hawaii	4,931,730	1,347,932	3,583,798	67,908	35,690	1,244,334	--	--	3,583,798	--	--
Idaho	4,726,422	2,570,622	2,155,800	124,997	148,692	2,249,654	47,279	--	2,155,800	--	--
Illinois	28,348,279	10,470,450	17,877,829	585,926	521,588	9,312,448	50,488	--	13,974,122	1,729,431	2,274,276
Indiana	25,978,454	8,355,037	17,623,417	469,359	184,823	7,459,995	40,860	--	9,298,417	7,800,000	525,000
Iowa	14,395,656	8,465,886	5,929,770	461,922	478,913	7,575,151	--	--	3,929,770	2,000,000	--
Kansas	26,777,232	5,495,636	21,281,596	330,471	515,792	4,626,164	23,209	--	8,717,829	9,878,561	2,685,206
Kentucky	30,586,728	10,453,780	20,132,948	473,960	554,731	8,088,142	59,512	1,278,435	13,898,943	6,274,005	--
Louisiana	24,972,521	7,635,867	17,336,654	361,018	467,855	5,998,889	69,744	738,361	16,706,285	612,171	18,198
Maine	5,314,407	2,262,126	3,052,281	98,229	92,091	2,011,999	56,907	--	2,570,281	440,000	47,000
Maryland	18,913,578	4,454,250	14,459,328	211,981	285,899	3,364,454	26,419	565,497	12,068,574	1,870,762	519,992
Massachusetts	10,558,528	3,309,043	7,249,595	189,437	19,492	1,062,463	37,651	--	6,381,791	868,494	--
Michigan	26,907,447	9,148,625	17,758,822	477,961	503,865	8,098,659	68,140	--	16,696,857	1,061,965	--
Micronesia	913,597	745,907	168,500	25,549	--	719,548	--	--	168,500	--	--
Minnesota	31,343,360	8,191,199	23,152,161	435,157	531,914	7,175,244	48,894	--	13,580,596	7,692,727	1,879,938
Mississippi	23,647,058	9,047,120	14,599,938	356,294	399,367	7,313,189	74,558	904,712	11,937,487	1,725,731	937,120
Missouri	27,973,542	9,946,068	18,027,474	454,542	399,008	7,784,557	60,116	1,247,845	13,203,886	2,925,722	1,898,366
Montana	7,918,093	2,482,938	5,435,155	125,736	134,965	2,168,539	53,699	--	2,208,583	2,938,010	--
Nebraska	18,881,882	4,758,364	14,123,518	263,061	281,277	4,192,421	21,605	--	8,272,674	4,791,533	1,059,311
Nevada	5,447,629	1,182,087	4,265,542	52,386	61,496	1,036,972	31,233	--	2,467,632	1,797,910	--
New Hampshire	3,940,160	1,546,067	2,394,093	74,277	88,812	1,354,955	28,023	--	1,148,035	1,213,058	33,000
New Jersey	13,419,604	3,561,737	9,857,867	194,262	206,116	3,126,917	34,442	--	6,123,469	3,734,398	--
New Mexico	8,182,836	2,329,535	5,853,301	103,551	150,339	2,031,575	44,070	--	4,545,400	1,189,559	118,342
New York	44,790,802	10,624,227	34,166,575	652,666	268,527	9,623,662	79,372	--	9,160,953	20,216,673	4,788,949
North Carolina	49,136,993	14,339,120	34,797,873	645,386	814,381	11,207,350	84,186	1,587,817	24,207,801	10,232,072	358,000
North Dakota	10,741,200	3,337,405	7,403,795	157,741	205,627	2,864,037	--	--	4,367,281	2,173,421	973,093
Ohio	31,292,938	10,633,224	20,659,714	557,355	200,762	9,823,014	52,093	--	10,974,300	9,149,414	536,000
Oklahoma	21,378,527	6,513,490	14,865,037	299,634	364,569	5,052,124	36,047	761,026	9,373,487	3,816,812	1,174,328
Oregon	16,124,372	3,578,672	12,545,700	198,759	291,664	3,007,272	80,977	--	9,040,700	2,300,000	1,205,000
Pennsylvania	22,420,544	10,870,544	11,550,000	565,082	178,403	10,049,292	77,767	--	7,300,000	4,250,000	--
Puerto Rico	12,216,277	7,267,641	4,948,636	265,019	127,781	6,874,841	--	--	4,020,393	--	928,243
Rhode Island	1,805,320	1,132,024	673,296	41,260	12,964	1,077,800	--	--	578,296	95,000	--
South Carolina	22,764,057	7,393,527	15,370,530	309,420	366,094	5,870,034	63,326	784,653	15,103,530	253,000	14,000
South Dakota	8,321,852	3,233,517	5,088,335	168,868	125,600	2,939,048	--	--	3,154,714	1,641,121	92,500
Tennessee	29,068,118	10,698,885	18,369,233	462,096	545,259	8,439,651	64,930	1,186,949	15,057,015	3,178,218	134,000
Texas	58,795,474	17,066,174	41,729,300	856,011	1,120,198	13,460,894	45,791	1,543,280	24,767,199	12,735,775	226,326
Utah	8,566,581	1,833,226	6,733,355	94,281	126,836	1,582,481	29,623	--	5,245,300	1,217,409	270,646
Vermont	4,565,039	1,659,788	2,905,251	73,574	71,700	1,489,700	24,814	--	2,503,051	335,000	67,200
Virgin Islands	1,159,961	725,263	434,698	21,119	4,423	699,721	--	--	434,698	--	--
Virginia	40,057,521	9,104,730	30,952,791	427,465	695,339	6,900,848	76,163	1,004,915	24,904,569	6,037,439	10,783
Washington	16,747,743	4,272,836	12,474,907	237,358	271,226	3,691,299	72,953	--	7,534,571	4,118,361	821,975
West Virginia	9,721,390	4,434,149	5,287,241	292,108	194,966	3,981,773	55,302	--	2,642,583	2,539,920	104,733
Wisconsin	33,160,152	8,160,152	25,000,000	470,080	434,743	7,193,608	61,721	--	14,200,000	10,100,000	700,000
Wyoming	5,877,647	1,502,695	4,374,952	69,263	96,896	1,303,699	32,837	--	2,918,939	1,456,013	--
No. Mariana Islands	604,566	604,566	--	12,311	--	592,255	--	--	--	--	--
Unallotted	1/ 6,269,129	6,269,129	--	--	--	6,269,129	--	--	--	--	--
GRAND TOTAL	1,047,558,262	318,924,680	728,633,582	15,453,000	15,252,000	269,639,760	2,378,000	16,201,920	499,518,364	194,592,544	34,422,674
Dist. of Col.	2/ 1,980,600	897,600	1,083,000	--	--	897,600	--	--	1,083,000	--	--

1/ Includes \$4,427,000 for farm Financial Management Projects; \$803,129 for the various special projects; \$89,000 for Regional Rural Development Centers; and \$3,350,000 for Section 1440 grants. 2/ D.C. Public Postsecondary Education Reorganization Act.

Extension Service
Geographic Breakdown of Obligations
1986 and Estimated 1987 and 1988
 (Amounts in 000's)

State/Territory	FY-1986	Estimated Obligations	
	Actual Obligations	FY-1987	FY-1988
Alabama	9,977	9,956	7,997
Alaska	1,165	1,150	869
American Samoa	273	685	657
Arizona	2,444	2,456	1,604
Arkansas	7,337	7,328	5,953
California	9,523	9,509	5,963
Colorado	3,217	3,213	2,444
Connecticut	2,219	2,212	1,695
Delaware	1,536	1,521	1,293
Florida	6,792	6,726	4,589
Georgia	10,588	10,519	8,131
Guam	753	744	699
Hawaii	1,357	1,348	1,058
Idaho	2,594	2,571	2,137
Illinois	10,523	10,470	8,076
Indiana	8,390	8,355	7,103
Iowa	8,476	8,466	7,577
Kansas	5,521	5,496	4,739
Kentucky	10,460	10,454	9,054
Louisiana	7,703	7,636	5,522
Maine	2,280	2,262	1,755
Maryland	4,478	4,454	3,507
Massachusetts	3,310	3,309	2,175
Michigan	9,159	9,149	7,308
Micronesia	454	745	718
Minnesota	8,187	8,191	7,189
Mississippi	9,106	9,047	7,173
Missouri	10,011	9,946	8,374
Montana	2,496	2,483	2,014
Nebraska	4,801	4,758	4,060
Nevada	1,198	1,182	871
New Hampshire	1,558	1,546	1,266
New Jersey	3,582	3,562	2,336
New Mexico	2,351	2,330	1,681
New York	10,610	10,624	6,920
North Carolina	14,462	14,339	11,969
North Dakota	3,222	3,227	2,805
Ohio	10,665	10,633	8,409
Oklahoma	6,517	6,513	5,426
Oregon	3,606	3,579	2,954
Pennsylvania	10,901	10,871	8,229
Puerto Rico	7,140	7,268	6,004
Rhode Island	1,144	1,132	809
South Carolina	7,439	7,394	5,816
South Dakota	3,263	3,233	2,814
Tennessee	10,705	10,699	8,693
Texas	17,289	17,066	12,502
Utah	1,842	1,833	1,384
Vermont	1,671	1,660	1,385
Virgin Islands	737	725	680
Virginia	9,090	9,105	7,526
Washington	4,308	4,273	3,431
West Virginia	4,452	4,434	3,483
Wisconsin	8,232	8,160	7,115
Wyoming	1,525	1,503	1,212
No. Mariana Islands	70	605	633
District of Columbia	898	898	931
Sub-total	313,607	313,553	248,717
Sp. Project/Fed. Adm.	14,402	18,619	13,870
Total	328,009	332,172	262,587

NATIONAL AGRICULTURAL LIBRARY

Purpose Statement

The National Agricultural Library (NAL) had its mission outlined by the Organic Act of 1862, establishing the Department of Agriculture. The act sets forth a mission, "to acquire and to diffuse among the people of the United States useful information on subjects connected with agriculture in the most comprehensive and general sense of the word," and placed upon the Secretary the responsibility to "procure and preserve all information concerning agriculture which he can obtain by means of books..."

The NAL has as its ultimate purpose the dissemination of useful information about agricultural and other related sciences to scientists and researchers, administrators and managers, farmers, and to the general public. In addition to providing traditional library services such as bibliographies, reference services and document delivery to agricultural scientists and researchers, NAL is expanding its role and serving a wider audience by using modern information dissemination technology to its fullest. Traditionally, the library has concentrated its thrust towards the agricultural scientist and researchers. The wider audience includes Federal, State and local administrators, as well as the farmer, the small businessman, public groups at all levels, and the general public.

With approximately 1.8 million volumes of printed material on agriculture and supporting scientific disciplines, NAL has one of the largest collections of its kind in the world. Both current and historical information is collected and organized for effective utilization by a wide range of users. The NAL also provides input of U.S. publications to AGRIS (Agricultural Information System), the International Information System for the Agricultural Sciences and Technology.

National Agricultural Library operations are carried out at the NAL Building at Beltsville, Maryland. Specialized services are provided from a reference center in Washington, D.C. Service is provided from these locations as well as 18 officially designated field libraries in the States and 38 "information" centers containing a total of approximately a quarter of a million volumes.

As of September 30, 1986, the NAL employment was 174 full time and 12 other, all located in Beltsville and Washington.

NATIONAL AGRICULTURAL LIBRARY

Available Funds and Staff-Years

1986 Actual and Estimated, 1987 and 1988

Item	1986		1987		1988	
	Actual	Staff:	Estimated	Staff:	Estimated	Staff:
	Amount	Years	Amount	Years	Amount	Years
National Agricultural Library.....	\$10,778,000	186	\$11,089,000	196	\$12,356,000	196
Obligations under other USDA						
appropriations:						
Agricultural Research Service:						
Library space.....	177,478	---	174,170	---	174,170	---
Agricultural Research Service	16,000	---	---	---	---	---
Agricultural Marketing Service:						
Library space.....	16,740	---	16,314	---	16,314	---
Cooperative State Research						
Service:						
Library Space.....	18,383	---	19,838	---	19,838	---
Animal & Plant Health Inspection						
Service:						
Current Awareness Literature						
Service.....	20,608	---	20,588	---	20,588	---
Forest Service:						
Current Awareness Literature						
Service.....	10,000	---	14,691	---	14,691	---
Extension Service:						
Current Awareness Literature						
Service.....	15,800	---	12,242	---	12,242	---
Human Nutrition Information						
Service:						
Current Awareness Literature						
Service.....	6,184	---	7,397	---	7,397	---
Economic Research Service:						
Current Awareness Literature						
Service.....	---	---	3,042	---	3,042	---
Food Safety Inspection Service:						
Current Awareness Literature						
Service.....	---	---	4,126		4,490	
Forest Service:						
Provide Translations Service....	956	---	1,902	---	1,902	---
Agricultural Research Service:						
Provide Translations Service....	11,572	---	26,512	1	26,512	1
Soil Conservation Service:						
Provide Translationn Service....	302	---	---	---	---	---
Economic Research Service:						
Provide Translations Service....	---	---	---	---	---	---
Animal & Plant Health						
Inspection Service:						
Provide Translations Service....	33,710	1	21,422	1	21,422	1
Agricultural Research Service:						
Feed Composition Data Base.....	150,000	3	---	---	---	---
Agricultural Research Service:						
Current Awareness Literature						
Service.....	665,954	---	583,296	3	583,296	3
Office of International						
Cooperation and Development:						
Current Awareness Literature						
Service.....	230,000	---	7,647		7,647	

NATIONAL AGRICULTURAL LIBRARY

Available Funds and Staff-Years1986 Actual and Estimated, 1987 and 1988

Item	1986		1987		1988	
	Actual	Staff:	Estimated	Staff:	Estimated	Staff:
	Amount	Years	Amount	Years	Amount	Years
Food and Nutrition Information Service:						
Service to Schools.....	\$ 85,000	---	\$ 110,000	---	\$ 110,000	---
Forest Service:						
Photo Collection.....	41,751	---	41,751	---	41,751	---
Total Other USDA						
Appropriations.....	1,500,438	4	1,064,938	5	1,065,302	5
Total Agricultural						
Appropriations.....	12,278,438	190	12,153,998	201	13,421,302	201
Other Federal Funds						
Environmental Protection Agency:						
Special Literature Searches.....	---		40,000	---	40,000	---
Non-Federal Funds						
Sale of Photocopies.....	45,000	2	60,000	2	60,000	2
Total National Agricultural Library	12,323,438	192	12,253,998	203	13,521,302	203
Full-Time Equivalent Staff-Year:	1986		1987		1988	
	Actual		Estimated		Estimated	
Ceiling.....	177		190		190	
Non-Ceiling.....	15		13		13	
Total.....	<u>192</u>		<u>203</u>		<u>203</u>	

4 Sept

UNITED STATES DEPARTMENT OF AGRICULTURE

NATIONAL AGRICULTURAL LIBRARY

PERMANENT POSITIONS BY GRADE AND STAFF-YEAR SUMMARY

1986 and Estimated 1987 and 1988

GRADE	1986 HEADQUARTERS	1987 HEADQUARTERS	1988 HEADQUARTERS
ES-5	1	1	1
GS/GM-15	5	5	5
GS/GM-14	2	2	2
GS/GM-13	17	17	17
GS-12	12	15	15
GS-11	41	41	41
GS-9	12	12	12
GS-8	3	3	3
GS-7	21	21	21
GS-6	27	30	30
GS-5	28	28	28
GS-4	7	7	7
GS-3	2	2	2
GS-2	3	3	3
Other Graded Positions	19	19	19
Total, Permanent Positions	200	206	206
Staff-Years:			
Ceiling	177	190	190
Non-Ceiling	15	13	13
Total, Staff Years.....	192	203	203

NATIONAL AGRICULTURAL LIBRARY

CLASSIFICATION BY OBJECTS1986 and Estimated 1987 and 1988

	<u>1986</u>	<u>1987</u>	<u>1988</u>
Personnel Compensation:			
Headquarters.....	<u>\$5,056,963</u>	<u>\$5,674,000</u>	<u>\$5,944,000</u>
11 Total Personnel Compensation.....	5,056,963	5,674,000	5,944,000
12 Personnel Benefits	<u>558,230</u>	<u>642,000</u>	<u>661,000</u>
Total Pers. Comp. & Benefits.....	<u>5,615,193</u>	<u>6,316,000</u>	<u>6,605,000</u>
Other Objects:			
21 Travel.....	79,000	82,000	85,000
22 Transportation of things.....	15,624	30,000	30,000
23 Communications, utilities and other rent.....	673,000	830,000	900,000
24 Printing and reproduction.....	565,000	300,000	300,000
25 Other services.....	1,713,183	1,699,000	2,365,000
26 Supplies and materials.....	1,306,000	1,332,000	1,471,000
31 Equipment.....	<u>820,000</u>	<u>600,000</u>	<u>600,000</u>
Total Other Objects	<u>5,171,807</u>	<u>4,773,000</u>	<u>5,751,000</u>
Total Direct Obligations	<u>10,787,000</u>	<u>11,089,000</u>	<u>12,356,000</u>
<u>Position Data:</u>			
Average Salary, ES positions	\$70,263	\$70,263	\$70,263
Average Salary, GS positions	\$21,580	\$21,580	\$21,650
Average Grade GS positions	7.65	7.65	7.66

NATIONAL AGRICULTURAL LIBRARY

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

National Agricultural Library

For necessary expenses of the National Agricultural Library, [\$11,421,000] \$12,356,000: Provided, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$35,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That not to exceed \$575,000 shall be available pursuant to 7 U.S.C. 2250 for the alteration and repair of buildings and improvements.

NATIONAL AGRICULTURAL LIBRARY

Appropriation Act, 1987.....	\$10,936,000
Budget Estimate, 1988.....	<u>12,356,000</u>
Increase in Appropriation.....	<u>+1,420,000</u>

Adjustments in 1987:

Appropriation Act, 1987.....	\$10,936,000	
Activities transferred to OGPA.....	-9,000	a/
Pay costs and retirement costs.....	<u>+162,000</u>	b/
Adjusted Base for 1987.....	11,089,000	
Budget Estimate, 1988.....	<u>12,356,000</u>	
Increase over adjusted 1987.....	<u>+1,267,000</u>	

a/ Pursuant to Secretary's Memo 1020-26, dated July 1, 1986, the function of the OGPS were transferred to CSRS. Activities of OGPS were partially funded on a reimbursable basis. Actual transfer of funds of \$9,000 were made in 1987. On a comparable basis the full annual cost of the activity including pay cost is \$9,000 for 1987 and \$10,000 for 1988.

b/ Includes an increase of \$65,000 for pay costs and \$97,000 for retirement costs.

SUMMARY OF INCREASES

(On basis of adjusted appropriation)

<u>Items of Change</u>	<u>1987 Estimated</u>	<u>Pay Cost and FERS</u>	<u>Program Changes</u>	<u>1988 Estimated</u>
Collection Development and Preservation.....	\$ 1,425,000	----	+\$894,000	\$ 2,319,000
All Other.....	9,664,000	+\$373,000	----	10,037,000
Total Available.....	<u>11,089,000</u>	<u>+373,000</u> a/	<u>+894,000</u>	<u>12,356,000</u>

a/ Includes an increase of \$103,000 for pay costs effective in 1987 and \$270,000 for increased costs associated with the Federal Employees Retirement System.

PROJECT STATEMENT

(On basis of adjusted appropriation)

PROJECT	1986 Actual		1987 Estimated		Increase	1988 Estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
1. Agricultural Library	:	:	:	:	:	:	:
Services for Research	:	:	:	:	(1)	:	:
and Education.....	\$10,478,000	186	\$10,789,000	196	+\$1,267,000	\$12,056,000	196
2. Repair and Maintenance	:	:	:	:	:	:	:
of Facilities.....	300,000	---	300,000	---	---	300,000	---
Total available or estimate:	<u>10,778,000</u>	<u>186</u>	<u>11,089,000</u>	<u>196</u>	<u>+1,267,000</u>	<u>12,356,000</u>	<u>196</u>
Transfer to Office of	:	:	:	:	:	:	:
Governmental and Public	:	:	:	:	:	:	:
Affairs.....	+9,000	---	+9,000	:	:	:	:
Supplemental Appropriation	:	:	:	:	:	:	:
for Pay Cost.....	:	:	-65,000	:	:	:	:
Supplemental Appropriation	:	:	:	:	:	:	:
for Federal Employee	:	:	:	:	:	:	:
Retirement Cost.....	:	:	-97,000	:	:	:	:
Total Appropriation.....	<u>10,787,000</u>	<u>186</u>	<u>10,936,000</u>	<u>196</u>	:	:	:

EXPLANATION OF PROGRAMS

The basic function of the Library is to identify, acquire, disseminate, and deliver pertinent food and agriculture information to all scientists, researchers, administrators, and others working in agricultural fields in both the government and private sectors. To meet user needs, the NAL maintains an extensive collection of agricultural publications and provides access to these publications through AGRICOLA, its master bibliographic database. The Library also provides current awareness and retrospective searches on worldwide agricultural literature through other computer-based systems of interest to agricultural scientists and educators.

A national education and training program designed to inform actual and potential users about NAL operations, resources, and services offers workshops and demonstrations in cooperation with agricultural institutions and professional and trade organizations across the country. The emphasis in this program is on the use of online bibliographic files and other computer services. A newly developed interactive video disc is expected to expand training capabilities both in this country and abroad. Briefings, tours and exhibits are provided for domestic and foreign visitors to the Library.

Acquisitions of agricultural materials from 150 countries and in more than 30 languages continues to be a major activity in carrying out the mission of the library components of NAL. Translations of publications are now available to Library users. Other primary activities for fiscal years 1986, 1987, and 1988 are as follows:

<u>Types of Activities</u>	<u>Estimated Productivity</u>		
	<u>FY 1986 Actual</u>	<u>FY 1987 Estimate</u>	<u>FY 1988 Estimate</u>
Serial Issues Added	201,136	185,000	190,000
Number of Titles Cataloged	18,934	19,000	20,000
Articles Indexed	93,000	100,000	110,000
Volumes Bound	941 ^{1/}	3,000	3,000
Document Requests Filled	235,971	244,000	252,000
Reference Inquiries Answered	23,946	27,000	30,000
Automated Searches Conducted	10,719	15,000	21,000
Current Awareness (CALS) Searches	181,980 ^{2/}	190,000	200,000
Current Awareness (CALS) Profiles by all databases	2,141	2,355	2,599

^{1/} Reduced level due to lower fund availability.

^{2/} Reduced number reflecting a review of users and profiles.

A major function of the bibliographic program is organization of materials for use of researchers and announcement of newly published research to the agricultural community. This includes cataloging books and journals acquired for the collection, and indexing journal articles, conference proceedings, and reports selected for their importance to agricultural research and education. Resources of the collection are made available through direct loan, interlibrary loan of books, and photocopy of journal articles. Requests for documents from USDA field employees are handled locally in 36 States in cooperation with land-grant university libraries whenever possible, with the NAL serving as a backup for document delivery.

In response to increasing demand for technical information on agriculture, the NAL continues to expand its collection development and information access programs through coordination of holdings with and among land-grant universities and through international exchange programs with foreign governments, universities, and research centers. It initiates and implements cooperative indexing and cataloging projects with public and private institutions and

strengthens agricultural library and information activities nationally through development and adoption of standardized formats and processing procedures essential for national networking.

The National Agricultural Library serves a dual role as the primary literature source for the American agricultural community and as a national authority among libraries and information centers here and abroad. As part of its responsibility for processing of agricultural serials, the NAL recently became a self-authenticating member of the Conversion of Serials (CONSER) Project coordinated by the Library of Congress. It also has obtained independent status in LC's Name Authorities (NACO) project to build a national name authority file for agricultural serials publications. The NAL also is cooperating with the National Library of Medicine (NLM) on sharing collection responsibilities for veterinary science and human nutrition literature.

The NAL engages in a wide range of international activities relating to worldwide collection and dissemination of information on agriculture and related subjects. Its AGRICOLA database is accessible online in 30 foreign nations. The Library is the designated U.S. center for AGRIS, the international agricultural information system of the United Nations' Food and Agriculture Organization (FAO) and provides essential support to the FAO's Aquatic Science and Fisheries Information System (ASFIS). Under a cooperative arrangement with the Commonwealth Agricultural Bureaux (CAB), the NAL is building its own controlled vocabulary based on that developed by the CAB. With NAL encouragement, including greater personal and institutional contacts, the exchange of agricultural information with both the Peoples' Republic of China and the Soviet Union has expanded significantly.

In addition, NAL must provide for collection preservation. This includes the microfilming and restoring of important documents, unbound serial issues, newspapers, and historical materials. A nationwide project to film the documents of all land-grant institutions, especially the bulletins, circulars, reports, and other miscellaneous publications of the State agricultural experiment stations and agricultural extension services, is currently underway. Under this program, the NAL works with the land-grant institutions to microfilm for preservation (and for replication) entire runs of these publications, which in many instances go back to the 1890's. The collection is both a valuable research tool for a wide variety of subjects and a practical reference resource for the farmer and the lay public. The documents of 37 States totaling over 2 million pages have been microfilmed since the program began in 1974.

JUSTIFICATION OF INCREASES

- (1) An increase of \$1,267,000 for library services (\$ 10,789,000 available in 1987) consisting of:
 - (a) An increase of 103,000 to annualize 1987 pay costs and to restore pay costs absorbed in 1987 and an increase of \$270,000 to fund increased cost associated with the Federal Employees Retirement Systems.
 - (b) An increase of \$894,000 for Collection Development and Preservation. (\$1,425,000 available in FY 1987.)

Need for Change. As the Nation's chief agricultural information resource, the NAL is responsible for maintaining a comprehensive collection of materials in this field. The cost of books and serials continues to outpace the average inflation rate by several points, and the devaluation of the dollar vis a vis foreign currency still further reduces NAL's ability to purchase foreign publications. Meanwhile, NAL is taking a more active stance in collection building, supporting the development of a number of newly established information centers in such fields as biotechnology and food irradiation. At the same time NAL is cooperating with the National Library of Medicine to insure full national coverage in areas of common concern, with the result that NAL accepts national responsibility for collecting comprehensively in most areas of veterinary medicine and many aspects of nutrition. Meanwhile, the development of new technologies has compelled NAL to broaden its coverage to collect audiovisuals, machine-readable data files, software, compact disks and other expensive new publishing media, not previously acquired. To collect comprehensively in these and other areas, especially in light of the information explosion leading to a total increase of publications in the field, requires additional resources.

Not only must materials, be acquired, they must be preserved. The general use of wood pulp paper, highly acidic in nature, has created a situation in which library materials are deteriorating at a frightening pace. As this process reaches an advanced state, the paper yellows, flakes, and eventually crumbles into dust. Materials beginning to reach this point include almost all newspapers or scientific journals printed on newsprint paper, over ten to twenty years old; current third-world publications; and all American and European books and periodicals over fifty to seventy-five years old.

Nature of Change. The funds requested will be used to update and maintain the collections at the levels required to enable NAL to meet the information needs of its direct clientele and to serve adequately as the national "backstop" collection of last resort in the field of agriculture. In addition, they will be used to acquire publications, retrospective and current, as new areas of concern are emphasized within the agricultural community. Important acquisitions not possible within previous budget levels will also be funded.

Not only must materials be acquired, they must be preserved. One traditional response to paper deterioration is binding. Library binding extends the shelf life of books and journals by reducing exposure of paper to pollutants in the air, and to light, while reducing wear when the materials are retrieved or reshelfed. Deacidification of book paper en masse is also being investigated. A current alternative to preserving the original is microfilming, substituting a different medium for the original paper. Another technology has even greater promise. That technology involves capturing page images in electronic form, using a page scanner to map the image as digital data. Additional computer processing can convert the digital data so that every word of the original text is accessible. The user will be able to call up on the display screen a complete image of a picture or a block of text. The advantage of this method over microfilm is that storage and use is simplified, a greater density of information

storage is achieved, and the computer can be used to provide direct access to every word of the text--a very useful means of access which is not available when other ways of preserving documents are used. Although this method is still in developmental stages, it is expected to be economically feasible, and is likely to have a significant impact on both preservation and access to information in all fields. NAL will actively explore this technology, but not to the exclusion of the other techniques noted above.

NATIONAL AGRICULTURAL LIBRARY
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1986 and Estimated 1987 and 1988

	<u>1986</u>		<u>1987</u>		<u>1988</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>
District of Columbia.....	\$ 100,000	3	\$ 100,000	3	\$ 100,000	3
Maryland.....	10,678,000	183	10,989,000	187	12,256,000	187
Total, Available or Estimate.....	<u>10,778,000</u>	<u>186</u>	<u>11,089,000</u>	<u>190</u>	<u>12,356,000</u>	<u>190</u>

SOIL CONSERVATION SERVICE

Purpose Statement

The Soil Conservation Service (SCS) was established pursuant to Public Law 74-46, known as the Act of April 27, 1935, (16 U.S.C. 590a-590f). Technical programs are carried out in cooperation with conservation districts and other sponsoring local organizations. SCS provides technology transfer through soil conservation districts to landusers, communities, watershed groups, Federal and State agencies, and other cooperators with erosion control and water management problems to bring about needed land treatments and physical adjustments in land use. The purpose is to improve and conserve soil and water resource quantity and quality, improve agriculture, and reduce damage caused by floods and sedimentation.

The Soil Conservation Service has general responsibility for administration of the following programs of the Department of Agriculture:

Conservation Operations is authorized by Public Law 74-46, (16 U.S.C. 590a-590f). Activities include:

1. Conservation technical assistance provided to district cooperators and other landusers in the planning and application of conservation treatments to control erosion and improve the quantity and quality of soil resources, improve and conserve water, enhance fish and wildlife habitat, conserve energy, improve woodland, pasture and range conditions, and reduce upstream flooding; all to protect and enhance the natural resource base.
2. Inventory and monitoring to provide soil, water, and related resource data for land conservation, use, and development; guidance of community development; identification of prime agricultural producing areas that should be protected; use in protecting the quality of the environment; and to issue periodic inventory reports of resource conditions.
3. Soil surveys are made to inventory the Nation's basic soil resources and to determine land capabilities and conservation treatment needs. Soil survey publications include interpretations useful to cooperators, other Federal agencies, state and local organizations.
4. Snow survey and water forecasting from basic data collected to provide estimates of annual water availability from high mountain snow packs and relating this to summer stream flow in the western States and Alaska. Information is used by agriculture, industry, and cities in estimating future water supplies.
5. Operation of plant materials centers to assemble, test, and encourage increased use of plant species which show promise for use in the treatment of conservation problem areas.
6. Resource appraisal and program development to ensure that programs administered by the Secretary of Agriculture for the conservation of soil, water, and related resources shall respond to the Nation's long-term needs. This program is authorized by the Soil and Water Resources Conservation Act, Public Law 95-192, November 18, 1977 (16 U.S.C. 2001), as amended by the Food Security Act of 1985, Public Law 99-198.

River Basin Surveys and Investigations

This program is authorized by the Watershed and Flood Prevention Act, Public Law 83-566, Section 6, August 4, 1954, (16 U.S.C. 1006).

The program involves cooperation with other Federal, State, and local agencies in the conduct of river basin surveys and investigations, flood hazard analysis, and flood plain management assistance to aid in the development of

coordinated water resource programs, including the development of guiding principles and procedures. SCS represents the Department on river basin regional entities and River Basin Interagency Committees for coordination among Federal Departments and States.

Watershed Planning

This activity is carried out under the Watershed and Flood Prevention Act, as amended, Public Law 83-566, August 4, 1954, (16 U.S.C. 1001-1008). The program consists of (a) making preliminary investigations to assess proposed small watershed projects in response to requests made by sponsoring local organizations and (b) providing assistance to sponsors in the development of watershed work plans. SCS is responsible for development of guiding principles and procedures.

Watershed and Flood Prevention Operations. Activities under this program include:

1. Watershed Operations authorized by Public Law 78-534

SCS administers watershed works of improvement authorized by the Flood Control Act of 1944 (33 U.S.C. 701b-1).

Flood prevention operations include planning and installing works of improvement for flood prevention and for the conservation, development, utilization, and disposal of water. This may also include the development of recreational facilities and the improvement of fish and wildlife habitat. Activities are authorized in 11 specific flood prevention projects covering about 11 million acres.

2. Emergency operations authorized by Section 216, Public Law 81-516, (33 U.S.C. 701b-1) and Sections 403-405, Public Law 95-334, (16 U.S.C. 2203-2205)

Emergency operations provide for the installation of emergency measures for runoff retardation and soil-erosion prevention, in cooperation with landowners and land users, as the Secretary deems necessary to safeguard lives and property from floods, drought, and the products of erosion on any watershed whenever fire, flood, or any other natural occurrence is causing or has caused a sudden impairment of that watershed.

3. Small Watersheds authorized by Public Law 83-566, as amended, (16 U.S.C. 1001-1008)

This program provides for cooperation with local sponsors, State, and other public agencies in the installation of planned works of improvement in approved watershed projects. Such works of improvement reduce erosion, floodwater, and sediment damage. They also further the conservation, development, utilization, and disposal of water, including the development of multipurpose facilities for such uses as recreation, improvement of fish and wildlife habitat, irrigation, and water supply to municipal and industrial users.

Great Plains Conservation Program

The Great Plains Conservation Program is authorized by Public Law 84-1021, as amended, (16 U.S.C. 590p (b)). The program's objective is to bring about a long-term solution to problems resulting from drought and the cultivation of land unsuited for sustained crop production in the 10 Great Plains States. Activities include:

1. Cost-sharing of permanent conservation practices under long-term contracts with farmers and ranchers in designated counties in the 10 Great Plains States.

2. Cost-share programming and contract administration and technical assistance to help make needed land use adjustments and install conservation measures specified in basic conservation plans in accordance with contract schedules.

Resource Conservation and Development Program

Section 102 of the Food and Agriculture Act of 1962 (Public Law 87-703), (7 U.S.C. 1010-1011) provides authority to assist locally sponsored Resource Conservation and Development Projects to conduct programs of land conservation and use in areas where acceleration of present conservation activities are needed and where projects add economic opportunities to the people.

Program Administration: The Soil Conservation Service maintains its central office in Washington, D.C. Most of its activities are carried out in about 3,050 field offices in the 50 States and Puerto Rico. Four technical service centers provide program coordination and technical support. This includes services such as engineering, watershed planning, cartographic work, soil mechanics laboratories, information, professional help in agronomy, soils, biology, forestry, plant materials, range conservation, and other technical work. As of September 30, 1986 there were 11,862 full-time employees and 891 part-time, intermittent, and other employees. Of these, 401 full-time employees and 8 other employees were located in the Headquarters.

Available Funds and Staff-Years
1986 and Estimated, 1987 and 1988

ITEM	1986 Actual		1987 Estimated		1988 Estimated	
	Amount 1/	Staff Years	Amount	Staff Years	Amount	Staff Years
Soil Conservation Service:						
Conservation Operations...	348,668,860:	8,997:	379,569,000:	9,472:	399,596,000:	9,397
River Basin Surveys and Investigations.....	14,180,000:	318:	12,139,000:	267:	8,308,000:	77
Watershed Planning.....	8,487,000:	191:	8,713,000:	191:	5,520,000:	40
Watershed and Flood Prevention Operations....	257,472,000:	2,092:	175,885,000:	1,950:	50,024,000:	440
Great Plains Conservation Program.....	20,482,000:	250:	20,474,000:	260:	2,831,000:	40
Resource Conservation and Development.....	25,037,000:	405:	25,020,000:	415:	10,002,000:	87
Total.....	674,326,860:	12,253:	621,800,000:	12,555:	476,281,000:	10,081
Deduct allotments to other agencies:						
ERS.....	167,000:	-2:	--:	--:	--:	--
FS.....	-6,055,000:	-103:	-4,960,000:	-85:	--:	--
FmHA.....	-614,000:	-21:	-330,000:	-12:	--:	--
Net.....	667,490,860:	12,127:	616,510,000:	12,458:	476,281,000:	10,081
Obligations under other						
USDA appropriations:						
Reimbursements for technical services to:						
Agricultural Conservation Program (ASCS).....	8,507,169:	290:	8,316,000:	277:	--:	--
Experimental Rural Clean Water Program (ASCS)....	1,153,312:	37:	1,200,000:	37:	1,200,000:	37
Water Bank Program (ASCS)	376,633:	12:	400,000:	12:	--:	--
Emergency Conservation Program (ASCS).....	66,320:	--:	484,000:	10:	--:	--
Conservation Reserve...2/	3,747,627:	95:	6,000,000:	148:	6,000,000:	148
Colorado Salinity Program	--:	--:	1,284,000:	32:	--:	--
Foreign Details and Assignments (OICD).....	1,362,292:	19:	1,300,000:	18:	1,300,000:	18
Soil Survey (FS).....	513,074:	14:	525,000:	14:	525,000:	14
Accelerate Soil Surveys..	77,000:	3:	80,000:	3:	80,000:	3
Other: planning and application.....	31,480:	1:	33,000:	1:	33,000:	1
Plant Materials Centers Operations.....	51,240:	--:	51,000:	--:	51,000:	--
USDA Cooperative Surveys.	1,945:		2,000:	--:	--:	--
Reimbursement for other services for:						
Facilities: Rent, phone, utilities, etc.....	3,317,023:	--:	2,151,568:	--:	2,108,000:	--
Proceeds of sales.....	63,111:	--:	94,804:	--:	37,000:	--
Financial assistance.....	34,001:	--:	64,913:	--:	--:	--
Miscellaneous.....	488,109:	6:	329,000:	6:	299,000:	6
Total, Other USDA Appropriations.....	19,790,336:	477:	22,315,285:	558:	11,633,000:	227
Total, Agriculture Appropriations.....	687,281,196:	12,604:	638,825,285:	13,016:	487,914,000:	10,308
Obligations under other						
Federal appropriations:						
Reimbursement for technical services for:						
Soil surveys (Interior)..	1,196,930:	40:	1,250,000:	40:	1,250,000:	40
Accelerate Soil Surveys..	961,680:	24:	1,000,000:	24:	1,000,000:	24
Welton Mohawk Salinity Control (Interior).....	1,424,392:	5:	1,000,000:	5:	1,000,000:	5
Other: planning and application.....	1,004,223:	15:	1,034,000:	15:	1,034,000:	15
Snow Survey and Water Forecasting.....	200,810:	1:	201,000:	1:	201,000:	1
Plant Materials Center Operations.....	36,930:	1:	37,000:	1:	37,000:	1
Cooperative surveys (RB).	60,000:	2:	60,000:	2:	--:	--

Available Funds and Staff-Years 1986 and Estimated, 1987 and 1988 - Continued

ITEM	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Flood Insurance Studies (HUD).....	489,777:	13:	674,000:	15:	--:	--:
Reimbursement for other services for:						
Facilities: Rent, phone, utilities, etc.....	83,697:	--:	34,000:	--:	34,000:	--:
Financial assistance.....	350,000:	--:	938,099:	--:	--:	--:
Miscellaneous.....	1,982,774:	26:	1,317,301:	22:	1,150,000:	21:
Allocation from Other Federal Agencies:						
Rural Abandoned Mines Program (DOI-OSM).....	8,823,072:	102:	9,650,000:	131:	500,000:	--:
Obligations under non-Federal Funds:						
Reimbursement for technical service for:						
Planning and application..	1,345,181:	39:	1,386,000:	39:	1,386,000:	39:
Accelerate Soil Surveys..	4,945,614:	137:	5,145,000:	137:	5,145,000:	137:
Resource Surveys.....	7,000:	--:	7,000:	--:	--:	--:
Snow Survey and Water Forecasting.....	76,078:	1:	78,000:	1:	78,000:	1:
Plant Materials Centers..						
Operations.....	109,000:	--:	110,000:	--:	110,000:	--:
A&E Contracts.....	1,232,558:	--:	4,015,914:	--:	--:	--:
Cooperative River Basin Surveys.....	64,446:	1:	118,000:	1:	--:	--:
Watershed Planning.....	222,810:	5:	558,000:	15:	--:	--:
Level B Studies-WRC.....	4,400:	--:	4,400:	--:	--:	--:
Abandoned Mine Reclamation:	855,423:	14:	3,500,000:	20:	3,500,000:	20:
Reimbursement for other services for:						
Facilities: Rent, phone, utilities, etc.....	248,491:	--:	164,618:	--:	153,000:	--:
Proceeds of sales.....	704,213:	--:	982,300:	--:	515,000:	--:
Financial Assistance.....	4,939,447:	--:	14,826,964:	--:	--:	--:
Miscellaneous.....	665,011:	8:	903,119:	8:	261,000:	5:
Trust funds:						
Small Watershed and Resource Conservation and Development Projects.....	2,195,300:	20:	560,000:	12:	560,000:	12:
(Subtotal).....	(54,019,593)	(931)	(71,870,000)	(1,047)	(29,547,000)	(548)
Total, Soil Conservation Service.....	721,510,453:	13,058:	688,380,000:	13,505:	505,828,000:	10,629:

	1986 Actual	1987 Estimated	1988 Estimated
Full-Time Equivalent Staff-Years:			
Ceiling.....	12,895	14,177 3/4	10,542
Non-ceiling.....	163	171	87
Total.....	13,058	14,348	10,629

- 1/ Conservation Operations - Excludes \$334,074 carryover for FY 1986 and \$861 carryover for FY 1987.
River Basin Surveys and Investigations - Excludes \$20,739 carryover for FY 1986 and \$20,739 carryover for FY 1987.
Watershed and Flood Prevention - Excludes \$16,291,063 carryover for FY 1986 and \$47,251,079 carryover for FY 1987.
Great Plains Conservation Program - Excludes \$38,984 carryover for FY 1986 and \$15,342 carryover for FY 1987.
Resource Conservation and Development - Excludes \$1,616,405 carryover for FY 1986 and \$1,114,569 carryover for FY 1987.
- 2/ Staff years represent primarily overtime and not total staffing. Funding shows amounts actually used or anticipated.
- 3/ Ceiling mandated by Congress. Available funds will support 13,334 staff years.

UNITED STATES DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE
Permanent Positions by Grade and Staff-Year Summary
1986 and Estimated 1987 and 1988

Grade	1986			1987			1988		
	Head- quarters 1/	Field	Total 3/	Head- quarters 1/	Field	Total 3/	Head- quarters 1/	Field	Total 3/
ES-6	1	--	1	1	--	1	1	--	1
ES-5	5	--	5	5	--	5	5	--	5
ES-4	12	1	13	12	1	13	8	1	9
ES-3	2	--	2	2	--	2	2	--	2
ES-2	1	1	2	1	1	2	1	1	2
ES-1	1	--	1	1	--	1	1	--	1
GS/GM-15	45	51	96	45	58	103	38	38	76
GS/GM-14	84	76	160	84	87	171	70	57	127
GS/GM-13	68	486	554	68	526	594	57	383	440
GS-12	38	1,253	1,291	38	1,348	1,386	32	992	1,024
GS-11	15	3,523	3,538	15	3,775	3,790	13	2,788	2,801
GS-10	1	2	3	1	3	4	1	2	3
GS-9	18	1,811	1,829	18	1,942	1,960	15	1,433	1,448
GS-8	8	138	146	8	148	156	7	109	116
GS-7	28	1,687	1,715	28	1,809	1,837	23	1,334	1,357
GS-6	34	1,132	1,166	34	1,214	1,248	28	894	922
GS-5	15	814	829	15	872	887	12	644	656
GS-4	7	284	291	7	304	311	6	225	231
GS-3	6	149	155	6	160	166	5	118	123
GS-2	1	7	8	1	8	9	1	--	1
GS-1	--	--	--	--	--	--	--	--	--
Other Graded Positions	11	--	11	11	--	11	9	--	9
Ungraded Positions	--	56	56	--	60	60	--	44	44
Total Perm. Positions	401	11,471	11,872	401	12,316	12,717	335	9,063	9,398

Staff-Years:

Ceiling	418	12,477	12,895	418	12,916	13,334	4/	349	10,193	10,542
Non-Ceiling 2/	13	150	163	13	158	171	--	11	76	87
TOTAL	431	12,627	13,058	431	13,074	13,505	--	360	10,269	10,629

1/ Includes Other National Unit positions for the National Plant Materials Center and the National Soil Survey Editorial Staff.

2/ Includes staff-years for stay-in-school positions.

3/ Includes positions for Rural Abandoned Mine Program.

4/ Fundable ceiling. Ceiling floor of 14,177 was included in appropriations legislation for FY 1987.

SOIL CONSERVATION SERVICE

CLASSIFICATION BY OBJECTS1986 and Estimated 1987 and 1988

	<u>1986</u>	<u>1987</u>	<u>1988</u>
<u>Personnel Compensation</u>			
Headquarters	17,165,266	17,030,190	11,797,468
Field	<u>314,899,321</u>	<u>330,950,810</u>	<u>276,931,532</u>
11 Total personnel comp.....	332,064,587	347,981,000	288,729,000
12 Personnel benefits.....	50,690,197	60,308,000	63,391,000
13 Benefits for former personnel.....	<u>614,959</u>	<u>604,000</u>	<u>32,674,000</u>
Total Pers. Comp. & Benefits.....	<u>383,369,743</u>	<u>408,893,000</u>	<u>384,794,000</u>
<u>Other Objects:</u>			
21 Travel.....	10,455,032	11,155,000	10,670,000
22 Transportation of things.	3,638,881	3,834,000	3,509,000
23.2 Rental payments to others	13,376,807	14,326,000	13,436,000
23.3 Communications, utilities, and misc. charges.....	16,857,000	17,873,000	16,129,000
24 Printing & reproduction..	3,117,757	3,251,000	3,087,000
25 Other services.....	53,424,417	51,467,000	18,611,000
Construction contracts...	81,473,833	80,058,000	3,126,000
26 Supplies and materials...	10,816,753	11,385,000	9,390,000
31 Equipment.....	13,938,434	15,384,000	12,046,000
32 Land & structures.....	88,824	1,645,000	169,000
33 Investments & loans.....	1,230,476	--	--
41 Grants, subsidies and contributions.....	44,595,205	45,567,000	1,174,000
42 Insurance claims and indemnities.....	171,628	173,000	136,000
43 Interest & dividends.....	--	4,000	4,000
Total other objects.....	<u>253,185,047</u>	<u>256,122,000</u>	<u>91,487,000</u>
Total direct obligations.....	<u>636,554,790</u>	<u>665,015,000</u>	<u>476,281,000</u>

Position Data

Average Salary, ES positions	\$68,487	\$68,989	\$68,975
Average Salary, GS positions	\$27,415	\$27,621	\$27,317
Average Grade, GS positions	9.13	9.15	8.60

UNITED STATES DEPARTMENT OF AGRICULTURE
Soil Conservation Service

Personnel Summary
FY 1986 Actual

	<u>Agency 1/</u>	<u>Full-Time</u>	<u>Other</u>	<u>Overtime & Holidays Worked</u>	<u>Total Staff Years</u>
Conservation Operations.....	SCS	8,583	398	16	8,997
River Basin Surveys and Investigations..	SCS	279	12	--	291
	ERS	2	--	--	2
	FS	25	--	--	25
	<u>Subtotal</u>	<u>306</u>	<u>12</u>	<u>--</u>	<u>318</u>
Watershed Planning.....	SCS	179	8	--	187
	FS	4	--	--	4
	<u>Subtotal</u>	<u>183</u>	<u>8</u>	<u>--</u>	<u>191</u>
Watershed and Flood Prevention Oper.....	SCS	1,825	111	67	2,003
	FmHA	17	--	--	17
	FS	72	--	--	72
	<u>Subtotal</u>	<u>1,914</u>	<u>111</u>	<u>67</u>	<u>2,092</u>
Great Plains Conser. Program.....	SCS	243	7	--	250
Resource Conservation and Development.....	SCS	352	45	2	399
	FmHA	4	--	--	4
	FS	2	--	--	2
	<u>Subtotal</u>	<u>358</u>	<u>45</u>	<u>2</u>	<u>405</u>
Total Direct Program..	SCS	11,461	581	85	12,127
	ERS	2	--	--	2
	FmHA	21	--	--	21
	FS	103	--	--	103
	<u>Subtotal</u>	<u>11,587</u>	<u>581</u>	<u>85</u>	<u>12,253</u>
Reimbursable Programs.....	SCS	771	38	--	809
Miscellaneous Contrib. Funds.....	SCS	15	4	1	20
Allocation from DOI (Aban. Mine).....	SCS	<u>97</u>	<u>3</u>	<u>2</u>	<u>102</u>
Total Program.....	SCS	12,344	626	88	13,058
	ERS	2	--	--	2
	FmHA	21	--	--	21
	FS	103	--	--	103
	<u>Subtotal</u>	<u>12,470</u>	<u>626</u>	<u>88</u>	<u>13,184</u>

1/ SCS: Soil Conservation Service
ERS: Economic Research Service
FS: Forest Service
FmHA: Farmers Home Administration

UNITED STATES DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE

Personnel Summary by Organization Level
FY 1986

	Positions Authorized Permanent	Positions Authorized Temporary	Positions Filled Permanent	Positions Filled Temporary	Average GS & GM Salary 2/	Average GS & GM Grade 2/	Average Salary - Ungraded 2/	Total Staff-Years 3/
Washington Headquarters.1/.....	437	20	398	20	\$37,071	11.01	N/A	423
Technical Service Centers (Incl. CA).....	542	32	486	32	\$32,462	9.88	\$23,792	533
Other National Units.....	53	19	49	19	N/A	N/A	N/A	60
State Offices.....	1,270	127	1,228	127	\$26,781	9.02	\$19,367	1,343
State Technical Specialists.....	531	50	514	50	N/A	N/A	N/A	567
Plant Materials Centers.....	80	35	77	35	N/A	N/A	N/A	104
Miscellaneous State Units.....	624	79	604	79	N/A	N/A	N/A	669
Area Office Staffs.....	1,387	101	1,351	101	N/A	N/A	N/A	1,501
Miscellaneous Area Units.....	1,270	140	1,234	140	N/A	N/A	N/A	1,385
Field Office Staffs.....	6,107	296	5,931	296	N/A	N/A	N/A	6,473
Subtotal, SCS Direct, and Reimbursable and Mis- cellaneous Contributed Funds.....	12,301	899	11,872	899	\$27,415	9.13	\$20,061	13,058
Allocations to Other Agencies:								
Economic Research Service....	--	--	--	--			--	2
Farmer's Home Administration..	--	--	--	--			--	21
Forest Service.....	--	--	--	--			--	103
Subtotal, Allocations.....	--	--	--	--			--	126
Total.....	12,301	899	11,872	899	N/A	N/A	N/A	13,184

1/ Includes other National Unit positions for the National Plant Materials Center and the National Soil Survey Editorial Staff.

2/ This is not figured below the State Office level.

3/ Includes 163 nonceiling staff years.

Organizational Summary	Total Obligations	Conservation Operations	River Basin Surveys and Investi- gations	Watershed Planning	Watershed and Flood Prevention Operations	Great Plains Conservation Program	Resource Conservation and Development
Washington Headquarters.....	28,527	21,384	1,095	254	4,726	301	767
State Offices.....	58,568	38,096	1,632	1,068	14,131	1,156	2,485
State Technical Specialists...	24,140	16,436	1,319	483	5,028	275	599
Technical Service Centers.....	25,498	17,745	1,033	1,552	4,669	99	400
Plant Materials Centers.....	3,456	3,396	0	4	52	0	4
Other National Units.....	6,456	4,652	249	102	1,163	122	168
Miscellaneous State Units.....	25,088	5,510	5,514	4,099	9,286	45	634
Area Office Staffs.....	56,491	42,385	438	202	9,769	1,385	2,312
Miscellaneous Area Units.....	45,334	22,994	239	43	14,772	29	7,257
Field Office Staffs.....	204,385	175,747	1,345	399	19,301	5,554	2,039
TOTAL SCS.....	477,943	348,345	12,864	8,206	82,897	8,966	16,665
Cost-Share/Construction.....	158,612	--	--	--	138,986	11,540	8,086
TOTAL SCS OBLIGATIONS NET..	636,555	348,345	12,864	8,206	221,883	20,506	24,751
ERS.....	168	--	168	--	--	--	--
FmHA.....	614	--	--	--	500	--	114
FS.....	6,053	--	1,033	217	4,129	--	674
Subtotal.....	6,835	--	1,201	217	4,629	--	788
TOTAL OBLIGATIONS, NET OF REIMBURSEMENTS.....	643,390	348,345	14,065	8,423	226,512	20,506	25,539

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Conservation Operations

- For necessary expenses for carrying out the provisions of the Act of April 27, 1935 (16 U.S.C. 590a-590f) including preparation of conservation plans and establishment of measures to conserve soil and water (including farm irrigation and land drainage and such special measures for soil and water management as may be necessary to prevent floods and the siltation of reservoirs and to control agricultural related pollutants); operation of conservation plant materials centers; classification and mapping of soil; dissemination of information; acquisition of lands by donation, exchange, or purchase at a nominal cost not to exceed \$100; purchase and erection or alteration or improvement of permanent and temporary buildings; and operation and maintenance of aircraft, [\$367,043,000] \$399,596,000; of which not less than [\$4,870,000] \$5,379,000 is for snow survey and water forecasting and not less than [\$4,408,000] \$4,971,000 is for operation and establishment of the
- 1 plant materials centers: Provided, [That of the foregoing amounts not less than \$293,400,000 is for personnel compensation and benefits: Provided further,] That the cost of any permanent building purchased, erected, or as improved, exclusive of the cost of constructing a water supply or sanitary system and connecting the same to any such building and with the exception of buildings acquired in conjunction with land being purchased for other purposes, shall not exceed \$10,000, except for one building to be constructed at a cost not to exceed \$100,000 and eight buildings to be constructed or improved at a cost not to exceed \$50,000 per building and except that alterations or improvements to other existing permanent buildings costing \$5,000 or more may be made in any fiscal year in an amount not to exceed \$2,000 per building: Provided further, That when buildings or other structures are erected on non-Federal land that the right to use such land is obtained as provided in 7 U.S.C. 2250a: Provided further, That no part of this appropriation may be expended for soil and water conservation operations under the Act of April 27, 1935 (16 U.S.C. 590a-590f) in demonstration projects: Provided further, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225) and not to exceed \$25,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That qualified local engineers may be temporarily employed at per diem rates to perform the technical planning work
 - 2 of the Service[: Provided further, That none of the funds in this Act shall be used for the purpose of consolidating equipment, personnel, or services of the Soil Conservation Service's national technical centers in Portland, Oregon; Lincoln, Nebraska; Chester, Pennsylvania; and Fort Worth, Texas, into a single national technical center].

The first change in language proposes deletion of the language establishing a floor on the amount of funds available for personnel compensation and benefits. This limitation severely limits managerial flexibility in maintaining the proper balance between staffing needs and other support items such as travel, training, and equipment that are required for the effective delivery of program services to farmers, ranchers and others who participate in conservation programs. Implementation of the conservation provisions of the Food Security Act of 1985 is having a major impact on SCS field offices as additional demands are made to provide technical assistance and soil survey data. Maximum flexibility is needed to ensure that all available resources can be used to meet these needs in a timely and effective manner. The limitation also adds unnecessarily to administrative overhead costs because of the need to maintain additional accounting and managerial controls.

The second change proposes deletion of language prohibiting the use of appropriated funds for consolidating the four existing SCS technical centers into one center. Implementation of the conservation provisions of the 1985 Food Security Act is imposing extensive demands on the technical assistance resources of the SCS, especially at the field office level. Streamlining our management and

administrative functions wherever possible is a cost-effective alternative for improving the efficiency of our existing workforce so we can respond more effectively to this new workload. A major objective of any organizational changes, including any at the regional technical centers, would be to maximize SCS resources available for providing on-site assistance to farmers and ranchers in the planning and application of conservation measures needed to reduce soil erosion and to ensure that landowners are in compliance with the law. Since the staffing at the four NTC locations represents a significant portion of the SCS workforce above the field level, SCS needs to have the flexibility to make changes which may involve consolidations in order to strengthen our program delivery capability at the field level.

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

River Basin Surveys and Investigations

For necessary expenses to [conduct research, investigations, and surveys of the watersheds of rivers and other waterways, in accordance with section 6 of the Watershed Protection and Flood Prevention Act approved August 4, 1954, as amended (16 U.S.C. 1006-1009), \$11,819,000: Provided, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$60,000 shall be available for employment under 5 U.S.C. 3109.] closeout activities previously funded under this account, \$8,308,000.

This change deletes language to carry out the River Basin Surveys and Investigations program beyond FY 1988. Program operations would be terminated as quickly as possible.

River Basin Surveys and Investigations

Appropriation Act, 1987.....	\$11,819,000
Budget Estimate, 1988.....	8,308,000
Decrease in Appropriation.....	<u>-3,511,000</u>
Adjustments in 1987:	
Appropriations Act, 1987.....	\$11,819,000
Pay costs and retirement costs.....	320,000 a/
Net Appropriations.....	<u>12,139,000</u>
Adjusted base for 1987.....	12,139,000
Budget Estimate, 1988.....	8,308,000
Decrease from adjusted 1987.....	<u>-3,831,000</u>

a/ Includes an increase of \$190,000 for pay increases and \$130,000 for retirement costs.

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

Item of Change	1987 Estimated	Program Changes	1988 Estimated
River Basin Surveys:			
1. USDA cooperative studies.....	\$8,563,000	-\$2,692,000	\$5,871,000
2. Flood plain management assistance.....	1,858,000	- 584,000	1,274,000
3. Interagency coordination and program formulation.....	1,718,000	- 555,000	1,163,000
TOTAL AVAILABLE.....	<u>\$12,139,000</u>	<u>-\$3,831,000</u>	<u>\$8,308,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	1986		1987 estimated		Decrease	1988 estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
River Basin Surveys:							
1. USDA cooperative studies.....	\$10,265,000	230	\$8,578,000	188	-\$2,707,000	\$5,871,000	55
2. Flood plain mgmt. assistance.....	2,085,000	47	1,861,000	41	- 587,000	1,274,000	12
3. Interagency coord. and program form...	1,830,000	41	1,700,000	38	- 537,000	1,163,000	10
Total available or est	<u>14,180,000</u>	<u>318</u>	<u>12,139,000</u>	<u>267</u>	<u>-\$3,831,000</u>	<u>(1) 8,308,000</u>	<u>77</u>
Proposed transfers for:							
pay increase costs..	--	--	-190,000	--			
Retirement contributions.....	--	--	-130,000	--			
Total, appropriation..	<u>\$14,180,000</u>	<u>318</u>	<u>\$11,819,000</u>	<u>267</u>			

PROJECT STATEMENT
(On basis of available funds)

Project	1986		1987 estimated		Decrease	1988 estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
River Basin Surveys:							
1. USDA cooperative studies.....	\$10,180,772	230	\$8,578,000	188	-\$2,707,000	\$5,871,000	55
2. Flood plain mgmt. assistance.....	2,067,949	47	1,861,000	41	- 587,000	1,274,000	12
3. Interagency coord. and program form...	1,815,821	41	1,720,739	38	- 557,739	1,163,000	10
Total direct oblig....	<u>14,064,542</u>	<u>318</u>	<u>12,159,739</u>	<u>267</u>	<u>-3,851,739(1)</u>	<u>8,308,000</u>	<u>77</u>
Unobligated balance lapsing.....	(+115,458)	(--)	(--)	(--)	(--)	(--)	(--)
Unobligated balance brought forward.....	(-20,739)	(--)	(-20,739)	(--)	(+20,739)	(--)	(--)
Unobligated balance carried forward.....	(+20,739)	(--)	(--)	(--)	(--)	(--)	(--)
Total available or est	<u>(14,180,000)</u>	<u>(318)</u>	<u>(12,139,000)</u>	<u>(267)</u>	<u>(-3,831,000)</u>	<u>(8,308,000)</u>	<u>(77)</u>
Reimbursable oblig....	726,784	18	1,000,000	20	-1,000,000	--	--
Obligational authority	<u>\$14,791,326</u>	<u>336</u>	<u>\$13,159,739</u>	<u>287</u>	<u>-4,851,739</u>	<u>8,308,000</u>	<u>77</u>

SOURCES OF REIMBURSEMENTS

Project	1986 Actual	1987 estimated	Decrease	1988 estimated
River Basin Surveys:				
USDA cooperative studies.....	\$130,791	\$180,000	-\$180,000	--
Flood Insurance Studies.....	489,777	674,000	-674,000	--
Other Federal Sources.....	30,996	43,000	-43,000	--
Other Non-Federal Sources.....	75,220	103,000	-103,000	--
Total reimbursements.....	<u>\$726,784</u>	<u>\$1,000,000</u>	<u>-\$1,000,000</u>	<u>--</u>

OUTLAYS

River Basin Surveys:				
1. USDA Cooperative Studies.....	\$10,562,149	\$8,543,000	-\$2,567,000	\$5,976,000
2. Floodplain management assistance.....	2,145,415	1,853,000	- 556,000	1,297,000
3. Interagency coordination and program formulation....	1,883,842	1,714,000	- 531,000	1,183,000
Total Outlays.....	<u>\$14,591,406</u>	<u>\$12,110,000</u>	<u>-\$3,654,000</u>	<u>\$8,456,000</u>

EXPLANATION OF PROGRAM

The appropriation "River Basin Surveys and Investigations," funds three activities as authorized by Public Law 83-566, as amended. The Department cooperates with other Federal and State agencies in making surveys and investigations of watersheds of rivers and other waterways. Activities include:

1) USDA Cooperatives Studies:

The Department participates in:

- Studies of agricultural and other rural land and water resources within river basins to gather basic data on existing and potential water supplies, present and future land use, current and potential economic development, and existing erosion and sediment problems.
- Studies and investigations are made of agricultural, rural, and upstream water and land resources and problems to determine corrective actions needed and potentials for conservation, use, and development. Evaluations include:
 - Erosion and sediment damage to rural lands and properties,
 - Upstream floodwater damage to rural lands and properties,
 - Impaired drainage of agricultural lands,
 - Agricultural drought problems and potential for water conservation,
 - Agricultural water needs for livestock and domestic use,
 - Forest-based industries,
 - Municipal and industrial water needs.

The planning activity gives consideration to finding alternative combinations of land treatment, structural and nonstructural measures to solve the area's problems, meet the identified needs, and develop the indicated potentials.

2) Floodplain management assistance:

- Is carried out in cooperation with State and local governments,
- Identifies flood hazards on selected floodplain reaches,
- Provides reports which include flood profiles and maps showing areas subject to flooding by select frequency floods,
- Provides information needed by State and local governments to implement land use and floodplain management programs.

3) Interagency Coordination and Program Formulation:

- Provides national policy and program leadership direction to studies of river basins, floodplain management, and Colorado River Salinity activities;
- Provides USDA participation in water policy and program coordination at the National level.
- Provides USDA membership and participation in the activities of three Federal-State Interagency Committees (SEBIAC, PSIAC, AWRBIAC), the Susquehanna and Delaware River Basin Commissions; and other regional entities involved in water and related resource planning and coordination.
- Provides reviews of proposed reports and water projects of other Departments and agencies.

The following tabulation shows the number of surveys and obligations by type of survey for fiscal years 1986, 1987, and 1988.

	1986	1987	1988
1. Surveys in cooperation with State and other Federal agencies:			
a. Surveys in progress, start of year.....	58	57	60
b. Surveys initiated during year.....	11	16	0
c. Surveys worked during year...	69	73	60
d. Surveys completed during year	12	13	0
e. Surveys in progress, end of year.....	57	60	60
Cumulative total surveys initiated.....	248	264	264
Cumulative total surveys completed.....	191	204	204
Total Cost Cooperative Surveys (000's).....	\$10,181	\$8,578	\$5,871
2. Floodplain management assistance program:			
(a) States participating in Flood Plain Mgmt. Studies..	38	38	38
1. Ongoing Studies (BOY).....	84	73	73
2. New Studies.....	18	25	0
3. Completed Studies.....	29	25	0
4. Ongoing Studies (EOY).....	73	73	0
5. Cumulative total completed..	398	423	423
Total Cost Flood Plain Management Studies (000's).....	\$2,068	\$1,861	\$1,274
(b) Reimbursable Flood Insurance Studies (non-add) (000's)...	(\$490)	(\$490)	(\$0)
1. Ongoing Studies (BOY).....	22	15	6
2. New Studies.....	8	2	0
3. Completed Studies.....	15	11	0
4. Ongoing Studies (EOY).....	15	6	6
5. Cumulative Total completed...	470	481	481
3. Interagency coordination and program formulation (000's)....	\$1,816	\$1,721	\$1,163
Total direct obligations (000's)...	\$14,065	\$12,160	\$8,308

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net decrease in appropriation of \$3,831,000 for River Basin Surveys and Investigations program (on the basis of available funds there is a decrease of \$3,851,739) consisting of:

- (a) A program decrease of \$12,139,000 to terminate the River Basin Surveys and Investigations program (on the basis of available funds there is a decrease of \$12,159,739).

Need for Change. Significant reductions are proposed in USDA conservation programs primarily for fiscal policy reasons in order to reduce Federal deficits. Benefits from these studies are primarily local or regional in nature. Funding from State and local governments and private sources would permit continuation of higher priority conservation work on the Nation's agricultural lands.

Nature of Change. The proposed reductions would terminate the Soil Conservation Service River Basin Surveys and Investigations program during fiscal year 1988. The ongoing work on an estimated 60 River Basin studies and an estimated 73 Flood Plain Management studies would become the responsibility of State agencies and/or the sponsors after about three months. No new River Basin studies or Flood Plain Management studies would be initiated and none are estimated to be completed.

- (b) An increase of \$8,308,000 for lump sum payments, severance pay and other nonrecurring program termination costs.

Geographic Breakdown and Funding for River Basin Surveys and Investigations
(Dollars in Thousands)

River Basin or Region	States Involved	Obligations	1986 Act.	1987 Est.	1988 Est.
		Cooperating Agencies			
<u>Cooperative Surveys with States and Concerned Federal Agencies</u>					
Tombigbee	Alabama	State	54	168	143
Alaska Rivers	Alaska	State	573	431	150
Kuskokwim River	Alaska	State	0	24	250
Pinal County AMA	Arizona	State	11	--	0
Central Arizona Ground- Water Conservation	Arizona	State	115	118	0
Arkansas Delta	Arkansas	State	365	325	41
Arkansas Highlands Study	Arkansas	State	0	20	265
California Statewide CRBS	California	State	563	452	289
Dolores Project	Colorado	State	28	0	0
Missouri River Trib.	Colorado	State	28	0	0
Colorado Streambank Ero. Study	Colorado	State	0	82	85
Coastal Sussex	Delaware	State	59	119	66
Central Fla. Water Cons.	Florida	Cons. Dist.	199	97	21
Upper Chattahoochee	Georgia	State	65	0	0
Watershed Protection	Georgia	State	220	182	223
Watershed Protection No. 2	Georgia	State	0	24	165
Upcountry Maui	Hawaii	State	151	101	0
Idaho Irrigation Study	Idaho	State	94	101	21
Special Erosion Control	Idaho	State	254	146	62
Raft River	Idaho	State	73	106	30
Hydrology Unit	Illinois	State	92	90	78
East Central Indiana Erosion Study	Indiana	State	338	169	21
Kankakee CRBS	Indiana	State	136	76	0
N.E. Ind. Erosion Study	Indiana	State	43	170	41
West Central Ind. Erosion Study	Indiana	State	0	0	287
Skunk River	Iowa	State	408	304	82
Northeast Kansas Erosion	Kansas	State	25	197	172
Kentucky Statewide	Kentucky	State	0	21	82
Southeast Kentucky River	Kentucky	State	270	138	41
Lafourche-Terrebonne	Louisiana	State	151	0	0
East Central Barataria	Louisiana	State	0	162	124
Cropland Erosion, Aroostook County	Maine	State	238	107	0
West Chesapeake	Maryland	State	332	65	0
Michigan Trib. St. Joseph	Michigan	State	5	0	0
Saginaw Bay Area	Michigan	State	311	233	41
NW Lower Mich. Ero. & Water Quality	Michigan	State	0	23	239
Minnesota River Subbasins	Minn & SD	State & COE	419	307	214
Lazarus Creek	Minnesota	State	2	0	0
Upper Otter Tail River	Minnesota	State	0	0	0
Tombigbee & Tuscumbie	Mississippi	State	316	372	285
Pearl River	Mississippi	State & Corps of Eng	97	0	0
Upper Salt River	Missouri	State	81	0	0
Three Forks Grand River	Missouri	State	285	298	308
Montana Gravity Sprinkler Irrig. Sys.	Montana	State	110	0	0
Montana Water Cons. Study	Montana	State	0	78	103

Geographic Breakdown and Funding for River Basin Surveys and Investigations
(Dollars in Thousands)

River Basin or Region	States Involved	Obligations	1986 Act.	1987 Est.	1988 Est.
		Cooperating Agencies			
<u>Cooperative Surveys with States and Concerned Federal Agencies</u>					
Nebraska Sandhills	Nebraska	State Nat. Res. Dist.	239	140	21
Nebraska Watershed Eval.	Nebraska	State	0	47	124
East Walker & Main Walker	Nevada	Cons. Dist. & Irr. Dist.	40	0	0
NJ Soil & Water Assessment	New Jersey	State	0	41	62
New Jersey CRBS	New Jersey	State	0	13	0
Hidalgo Y Luna	New Mexico	State	0	94	151
Oriskany and Kayaderossera	New York	State	342	267	21
Broad Catawba River	N. Carolina	State	325	245	91
Des Lacs Souris River	N. Dakota	State	211	181	134
Impact of Erosion & Conser	Ohio	State	192	143	21
SW. Oklahoma Eros. & Sed.	Oklahoma	State	70	92	21
Big Cove & Laurel Hill Creeks	Pennsylvania	State	53	65	12
Water Resources	Rhode Island	State	0	0	0
Central South Carolina	S. Carolina	State	235	0	0
West Piedmont	S. Carolina	State	147	246	110
Palmetto	S. Carolina	State	0	79	211
Hatchie River Basin	Tennessee	State	262	0	0
West Eight	Tennessee	State	46	310	206
Critical Flooding & Eros.	Texas	State	185	112	0
Shambip River Basin	Utah	State	139	0	0
Strawberry	Utah	State	0	0	0
Upper Virgin	Utah	State	0	112	138
Vermont Flood & Erosion	Vermont	State	96	183	128
Southwest Virginia	Virginia	State	223	174	19
SE Washington Rivers	Washington	State	186	0	0
East High Columbia	Washington	State	151	20	0
Puget Soung	Washington	State	0	162	165
Guyandotte	W. Virginia	State & Cos.	179	64	21
Little Kanawha River	W. Virginia	State	0	13	138
Golden Sands	Wisconsin	State	0	142	0
Groundwater Protection	Wisconsin	State	60	0	58
Loess Hills, Northern Miss. River Valley	Wisconsin	State	15	0	12
Wyoming Cooperative Irrig and Water Conservation	Wyoming	State	274	233	78
Undistributed			0	53	0
USDA Coop. Studies			10,181	8,537	5,871
Colorado River Salinity Studies			0	41	0
Floodplain Mgt. Studies			2,068	1,861	1,274
Interagency Coord. and Program Formulation			1,816	1,721	1,163
TOTAL DIRECT OBLIGATIONS			14,065	12,160	8,308

SOIL CONSERVATION SERVICE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1986 AND ESTIMATED 1987 AND 1988
RIVER BASIN SURVEYS AND INVESTIGATIONS

	1986 AMOUNT	1986 STAFF YEARS	1987 AMOUNT	1987 STAFF YEARS	1988 AMOUNT	1988 STAFF YEARS
ALABAMA	\$46,664	1	\$133,533	3	\$98,109	1
ALASKA	460,918	7	364,851	8	268,063	2
ARIZONA	189,704	4	179,797	4	132,100	1
ARKANSAS	346,669	8	284,941	7	209,351	2
CALIFORNIA	541,490	15	459,480	11	337,588	4
COLORADO	99,754	2	137,739	3	101,199	1
CONNECTICUT	67,100	2	56,778	1	41,715	0
DELAWARE	267,900	6	148,253	3	108,924	1
FLORIDA	218,000	6	190,311	4	139,825	1
GEORGIA	231,257	5	174,539	4	128,237	1
HAWAII	131,012	3	91,476	2	67,209	1
IDAHO	349,197	5	289,147	7	212,442	2
ILLINOIS	212,114	6	187,157	4	137,508	1
INDIANA	445,277	11	439,503	10	322,911	4
IOWA	341,050	8	282,312	7	207,420	2
KANSAS	21,848	1	182,951	4	134,417	1
KENTUCKY	220,858	7	185,054	4	135,963	1
LOUISIANA	209,027	5	171,385	4	125,920	1
MAINE	57,507	2	48,366	1	35,535	0
MARYLAND	69,141	1	30,492	1	22,403	0
MASSACHUSETTS	28,723	1	26,286	1	19,313	0
MICHIGAN	289,998	6	241,832	6	177,678	2
MINNESOTA	394,682	10	296,507	7	217,849	2
MISSISSIPPI	331,608	10	292,301	8	214,759	2
MISSOURI	410,091	10	349,079	8	256,475	2
MONTANA	246,865	6	174,539	4	128,237	1
NEBRASKA	344,686	9	300,713	7	220,939	2
NEVADA	61,084	2	17,875	0	13,133	0
NEW HAMPSHIRE	424,298	10	300,713	7	220,939	2
NEW JERSEY	25,000	1	39,955	1	29,356	0
NEW MEXICO	5,096	0	88,321	2	64,891	1
NEW YORK	268,746	7	209,237	5	153,730	1
NORTH CAROLINA	261,858	5	251,295	6	184,631	2
NORTH DAKOTA	253,494	6	226,060	5	166,090	2
OHIO	356,114	10	348,027	8	255,702	2
OKLAHOMA	58,599	1	79,910	2	58,711	1
OREGON	18,147	0	63,087	1	46,351	0
PENNSYLVANIA	96,994	3	110,401	3	81,114	1
RHODE ISLAND	4,486	0	5,257	0	3,862	0
SOUTH CAROLINA	323,400	8	281,787	6	207,034	2
TENNESSEE	226,622	5	252,346	6	185,403	2
TEXAS	264,913	7	191,363	4	140,598	1
UTAH	120,104	3	139,842	3	102,744	1
VERMONT	93,092	2	85,167	2	62,574	1
VIRGINIA	170,415	4	129,327	3	95,019	1
WASHINGTON	314,910	7	148,253	3	108,924	1
WEST VIRGINIA	240,912	6	209,237	5	153,730	1
WISCONSIN	123,632	2	140,893	3	103,517	1
WYOMING	179,501	4	156,665	4	115,105	1
CHESTER NTC	158,993	4	145,099	3	106,607	1
FORT WORTH NTC	436,489	11	387,982	9	285,057	4
LINCOLN NTC	196,139	5	173,488	4	127,465	1
PORTLAND NTC	245,565	5	216,597	5	159,138	1
NATIONL HDQTRS	1,361,959	16	1,190,233	16	874,485	8
ERS ALLOCATION	167,408	2	0	0	0	0
FS ALLOCATION	1,033,432	25	852,000	18	0	0
TOTAL, RIVER BASIN SURVEYS & INVESTIGATIONS	\$14,064,542	318	\$12,159,739	267	\$8,308,000	77

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Watershed Planning

For necessary expenses [for small watershed investigations and planning, in accordance with the Watershed Protection and Flood Prevention Act, as amended (16 U.S.C. 1001-1008), \$8,480,000: Provided, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$50,000 shall be available for employment under 5 U.S.C. 3109.] to closeout activities previously funded under this account, \$5,520,000.

This change deletes language to carry out the Watershed Planning program beyond FY 1988. Program operations would be terminated as quickly as possible.

Watershed Planning

Appropriation Act, 1987.....	\$8,480,000
Budget Estimate, 1988.....	5,520,000
Decrease in Appropriation.....	<u>-2,960,000</u>
Adjustments in 1987:	
Appropriations Act, 1987.....	\$8,480,000
Pay costs and retirement costs.....	+233,000 a/
Net Appropriations.....	<u>\$8,713,000</u>
Adjusted base for 1987.....	\$8,713,000
Budget Estimate, 1988.....	5,520,000
Decrease from adjusted 1988.....	<u>-3,193,000</u>

a/ Includes an increase of \$136,000 for pay increases and \$97,000 for retirement costs.

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

Item of Change	1987 Estimated	Program Changes	1988 Estimated
Watershed Planning.....	\$8,713,000	-\$3,193,000	\$5,520,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1986 Amount	1986 Staff	1986 Years	1987 estimated Amount	1987 estimated Staff	1987 estimated Years	Decrease	1988 estimated Amount	1988 estimated Staff	1988 estimated Years
Watershed Planning....	\$8,487,000	:	191	\$8,713,000	:	191	-\$3,193,000	(1)5,520,000	:	40
Proposed transfers for:										
Pay increase costs....	--	--	--	-136,000	--	--				
Retirement	:	:	:	:	:	:				
contributions.....	--	--	--	-97,000	--	--				
Total, appropriation.	<u>\$8,487,000</u>	:	191	<u>\$8,480,000</u>	:	191				

PROJECT STATEMENT
(On basis of available funds)

Project	1986 Amount	1986 Staff	1986 Years	1987 estimated Amount	1987 estimated Staff	1987 estimated Years	Decrease	1988 estimated Amount	1988 estimated Staff	1988 estimated Years
Direct Obligations:										
Watershed Planning:										
1. Small watershed										40
planning authorized										
by PL-566.....	\$8,422,941	:	191	\$8,713,000	:	191	-\$3,193,000	(1)5,520,000	:	
Unobligated balance										
lapsing.....	(+64,059)	--	--	--	--	--	--	--	--	--
Total available or est	(8,487,000)	:	(191)	(8,713,000)	:	(191)	(-3,193,000)	(5,520,000)	:	(40)
Reimbursable oblig....	236,544	:	5	600,000	:	15	-600,000	(--)	:	(--)
Obligational authority	<u>8,659,485</u>	:	196	<u>9,313,000</u>	:	206	<u>-3,793,000</u>	<u>5,520,000</u>	:	40

SOURCES OF REIMBURSEMENTS

	1986 Actual	1987 Estimated	Decrease	1988 Estimated
Within USDA.....	--	--	--	--
Other Federal Sources.....	--	--	--	--
Non-federal Sources.....	236,544	600,000	-600,000	--
Total reimbursements.....	<u>236,544</u>	<u>600,000</u>	<u>-600,000</u>	<u>--</u>

OUTLAYS

Small watershed planning				
authorized by PL-566.....	8,673,255	8,656,000	-2,247,000	6,409,000

EXPLANATION OF PROGRAM

The appropriation "Watershed Planning," funds activities authorized by the Watershed Protection and Flood Prevention Act (Public Law 83-566), as amended, which relate to planning of individual watershed projects.

The Department makes surveys of proposed small watershed projects and prepares plans in cooperation with local sponsors. The planning activities consist of:

- Cooperation between the Federal Government and State governments and their political subdivisions in assisting local sponsoring organizations develop plans for proposed watershed projects,
- Conducting surveys and investigations to determine the land and water resource problems and opportunities within the watershed,
- Studying alternatives to provide the best combination of land treatment, nonstructural, and structural measures for the protection, conservation, development, management, and utilization of land, water, and related resources,
- Compiling information that is the basis for mutual agreement by the Department, local organizations, and the public concerning the possible alternative solutions which will best meet environmental, social, and economic goals,
- Making environmental assessments concurrently with other planning efforts for every proposed watershed project, and
- Preparing environmental impact statements when applicable and making them available to the public.

The watershed plans:

- Identify the soil and water management problems in the watershed.
- List the steps that have been or are authorized to be taken to alleviate these problems.
- Outline the proposed works of improvement to be installed.
- Itemize the estimated benefits and costs.
- Set out the cost-sharing and operation and maintenance arrangements.
- Present other facts necessary to justify Federal participation in project development.

The following table lists actual and projected progress for small watershed applications, planning, and operations.

<u>Activity</u>	<u>1986 Actual</u>	<u>1987 Estimate</u>	<u>1988 Estimate</u>
1. <u>Application for planning assistance:</u>			
On hand, cumulative, start of year...	2,331	2,340	2,362
Net change during year.....	9	22	0
On hand, cumulative, end of year.....	<u>2,340</u>	<u>2,362</u>	<u>2,362</u>
Consisting of:			
a. Authorized for planning.....	2,017	2,047	2,047
b. Available for planning.....	323	315	315

<u>Activity</u>	<u>1986 Actual</u>	<u>1987 Estimate</u>	<u>1988 Estimate</u>
2. Status of planning:			
Authorized, cumulative, start of year	1,970	2,017	2,047
LESS:			
Suspended or terminated, cumulative, start of year.....	477	480	482
Completed, cumulative, start of year.	<u>1,350</u>	<u>1,382</u>	<u>1,427</u>
SUBTOTAL:			
Planning in process, start of year...	143	155	138
PLUS:			
New authorizations during year.....	47	30	0
LESS:			
Terminated during year.....	3	2	138
Completions during year.....	32	45	0
Planning in process, end of year.....	<u>155</u>	<u>138</u>	<u>0</u>
3. Status of projects operations:			
Uncompleted projects start of year...	717	734	769
Projects approved for operations.....	32	45	0
New construction starts.....	10	20	0

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A net decrease in appropriation (and available funds) of \$3,193,000 for Small Watershed Planning authorized by PL-566 consisting of:

- (a) A program decrease of \$8,713,000 to terminate the Small Watershed Planning program.

Need for Change. Significant reductions are proposed in selected USDA conservation programs primarily for fiscal policy reasons in order to reduce Federal deficits. Benefits from these projects are local and, if of sufficient value, should be within the capability of most States to fund.

Nature of Change. The proposed reductions would terminate new federal funding for Small Watershed Planning by the end of fiscal year 1988. No new planning starts would be initiated and work on all active plans would cease. Where possible, inventory data, studies and analyses would be developed and organized to the extent that it could be used by State, local and/or other interested parties to complete planning.

- (b) An increase of \$5,520,000 for lump sum payments, severance pay and other nonrecurring termination costs.

SOIL CONSERVATION SERVICE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1986 AND ESTIMATED 1987 AND 1988
WATERSHED PLANNING

	<u>1986 AMOUNT</u>	<u>1986 STAFF YEARS</u>	<u>1987 AMOUNT</u>	<u>1987 STAFF YEARS</u>	<u>1988 AMOUNT</u>	<u>1988 STAFF YEARS</u>
ALABAMA	\$264,215	6	\$240,942	6	\$156,360	1
ARIZONA	76,687	2	83,443	2	54,151	0
ARKANSAS	185,869	3	189,833	3	123,193	1
CALIFORNIA	423,977	10	432,862	10	280,907	2
COLORADO	107,300	2	99,089	2	64,304	0
CONNECTICUT	33,500	1	31,291	1	20,306	0
DELAWARE	114,936	3	245,115	3	159,068	1
FLORIDA	67,100	2	67,798	2	43,998	0
GEORGIA	95,097	3	99,089	3	64,304	0
HAWAII	150,433	3	135,595	3	87,995	1
IDAHO	64,809	2	62,582	2	40,613	0
ILLINOIS	107,201	3	104,304	3	67,688	0
INDIANA	143,670	3	62,582	3	40,613	0
IOWA	252,805	6	268,062	6	173,960	1
KANSAS	387,845	8	337,945	8	219,311	2
KENTUCKY	95,693	2	117,864	2	76,488	1
LOUISIANA	184,892	5	183,575	5	119,132	1
MAINE	23,875	1	26,076	1	16,922	0
MARYLAND	14,354	1	15,646	1	10,154	0
MASSACHUSETTS	28,678	1	31,291	1	20,306	0
MICHIGAN	76,625	2	78,228	2	50,766	0
MINNESOTA	140,686	3	141,854	3	92,057	1
MISSISSIPPI	134,775	4	114,735	4	74,458	1
MISSOURI	323,840	8	325,429	8	211,188	2
MONTANA	153,215	3	190,877	3	123,870	1
NEBRASKA	295,968	8	298,310	8	193,589	1
NEVADA	44,339	1	30,248	1	19,630	0
NEW HAMPSHIRE	150,399	4	189,833	4	123,193	1
NEW JERSEY	28,700	1	28,162	1	18,276	0
NEW MEXICO	4,796	0	5,215	0	3,384	0
NEW YORK	95,745	2	99,089	2	64,304	0
NORTH CAROLINA	171,027	4	175,231	4	113,717	1
NORTH DAKOTA	89,099	2	87,615	2	56,858	0
OHIO	173,354	4	114,735	4	74,458	1
OKLAHOMA	436,899	11	430,776	11	279,554	2
OREGON	30,970	1	62,582	1	40,613	0
PENNSYLVANIA	22,412	1	51,109	1	33,167	0
RHODE ISLAND	14,400	0	0	0	0	0
SOUTH CAROLINA	115,000	3	114,735	3	74,458	1
SOUTH DAKOTA	14,431	0	52,152	0	33,844	0
TENNESSEE	138,657	3	148,112	3	96,118	1
TEXAS	354,306	9	365,064	9	236,910	2
UTAH	47,719	1	50,066	1	32,491	0
VERMONT	28,685	1	37,549	1	24,368	0
VIRGINIA	166,886	3	173,145	3	112,363	1
WASHINGTON	47,753	1	112,648	1	73,103	1
WEST VIRGINIA	190,581	5	194,006	5	125,901	1
WYOMING	4,792	0	20,861	0	13,538	0
CHESTER NTC	197,372	5	209,651	5	136,054	1
FORT WORTH NTC	353,882	6	376,538	6	244,356	2
LINCOLN NTC	244,912	4	259,717	4	168,544	1
PORTLAND NTC	736,152	15	752,033	15	488,035	4
NATIONL HDQTRS	354,677	5	380,711	5	247,062	3
FS ALLOCATION	216,951	4	207,000	4	0	0
TOTAL, WATERSHED PLANNING.....	\$8,422,941	191	\$8,713,000	191	\$5,520,000	40

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Watershed and Flood Prevention Operations

- 1 For necessary expenses to [carry out preventive measures, including but not limited to research, engineering operations, methods of cultivation, the growing of vegetation, rehabilitation of existing works and changes in use of land, in accordance with the Watershed Protection and Flood Prevention Act approved August 4, 1954, as amended (16 U.S.C. 1001-1005, 1007-1009), the provisions of the Act of April 27, 1935 (16 U.S.C. 590a-f), and in accordance with the provisions of laws relating to the activities of the Department, \$165,885,000 (of which \$26,271,000 shall be available for the watersheds authorized under the Flood Control Act approved June 22, 1936 (33 U.S.C. 701, 16 U.S.C. 1006a), as amended and supplemented): Provided, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$4,755,000 shall be available for emergency measures as provided by sections 403-405 of the Agricultural Credit Act of 1978 (16 U.S.C. 2203-2205), and not to exceed \$200,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That \$14,000,000 in loans may be insured, or made to be sold and insured, under the Agricultural Credit Insurance Fund of the Farmers Home Administration (86 Stat. 663): Provided further, That not to exceed \$1,000,000 of this appropriation is available to carry out the purposes of the Endangered Species Act of 1973 (Public Law 93-205), as amended, including cooperative efforts as contemplated by that Act to relocate endangered or threatened species to other suitable habitats as may be necessary to expedite project construction.] closeout activities previously funded under this account, \$50,024,000.
- 2 [Notwithstanding any other provision of this joint resolution, and in addition to amounts appropriated elsewhere, there are appropriated \$10,000,000 to remain available until expended, for "Watershed and Flood Prevention Operations" for emergency measures as provided in sections 401 and 403-405 of the Agricultural Credit Act of 1978 (16 U.S.C. 2201 and 2203-2205)]

The first change deletes language to carry out the Watershed and Flood Prevention Operations program beyond FY 1988. Program operations would be terminated as quickly as possible, and the Farmers Home Administration would no longer be authorized to make loans associated with this activity.

The second change proposes deletion of language which provided an additional \$10,000,000 for the Emergency Watershed Protection Operation program in FY 1987. The language is not needed in FY 1988 because the additional funds were applicable to fiscal year 1987 only.

Watershed and Flood Prevention Operations

	Watersheds Authorized by PL-534	Emergency Watershed Operations	Small Watersheds Authorized by PL-566	Total Watersheds and Flood Prevention
Appropriation Act, 1987.....	\$26,271,000	\$14,755,000	\$134,859,000	\$175,885,000
Budget Estimate, 1988.....	7,375,000	985,000	41,664,000	50,024,000
Decrease in Appropriation.....	<u>-18,896,000</u>	<u>-13,770,000</u>	<u>-93,195,000</u>	<u>-125,861,000</u>

SUMMARY OF INCREASES AND DECREASES
(on basis of adjusted appropriation)

Item of Change	1987 Estimated	Program Changes	1988 Estimated
Watershed and Flood Prevention Operations:			
1. Watershed operations authorized by PL-534.....	\$17,271,000	-\$9,896,000	7,375,000
2. Emergency watershed protection operations.....	-0-	+ 985,000	985,000
3. Small watersheds authorized by PL-566.....	70,859,000	-29,195,000	41,664,000
Proposed rescission a/.....	87,755,000	-87,755,000	--
TOTAL AVAILABLE.....	<u>175,885,000</u>	<u>-125,861,000</u>	<u>50,024,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1986		1987 estimated		Decrease	1988 estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
1. Watershed operations authorized by PL-534:							
(a) Planning.....	\$1,464,900	39	\$1,495,400	39	-\$815,400	\$680,000	6
(b) Technical assistance.....	13,184,100	354	13,458,600	355	-7,313,600	6,145,000	60
(c) Financial assistance for construction:							
Direct Federal contracting...	16,678,000	--	1,660,000	--	-1,181,000	479,000	--
Payment for contracting by local sponsors	2,387,000	--	577,000	--	-506,000	71,000	--
(d) Loan services..	167,000	6	80,000	3	-80,000	--	--
Subtotal, flood prevention.....	33,881,000	399	17,271,000	397	-9,896,000	(1) 7,375,000	66
2. Emergency Watershed Protection Operation	79,732,000	130	---	160	+985,000	(2) 985,000	--
3. Small watersheds authorized by PL-566:							
(a) Technical assistance.....	62,700,000	1,552	56,900,000	1,387	-18,886,000	38,014,000	374
(b) Financial assistance for construction:							
Direct Federal contracting...	58,223,000	--	9,929,000	--	-7,316,000	2,613,000	--
Payment for contracting by local sponsors	22,603,000	--	3,855,000	--	-2,818,000	1,037,000	--
(d) Loan services..	333,000	11	175,000	6	-175,000	---	--
Subtotal, watershed operations.....	143,859,000	1,563	70,859,000	1,393	-29,195,000	(3) 41,664,000	374
Total available or est	257,472,000	2,092	88,130,000	1,950	-38,106,000	<u>50,024,000</u>	<u>440</u>
Transfer from Conservation Operations....	-7,952,000	--					
Proposed rescission a/	---	---	87,755,000	--	-87,755,000		
Total, appropriation..	<u>249,520,000</u>	<u>2,092</u>	<u>175,885,000</u>	<u>1,950</u>	<u>-125,861,000</u>		

a/ The total amount being proposed for rescission is \$96,000,000, of which \$87,755,000 is new budget authority for FY 1987 and \$8,245,000 is unobligated Emergency Watershed Protection funds carried forward into FY 1987.

PROJECT STATEMENT
(On basis of available funds)

Project	1986		1987 estimated		Decrease	1988 estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
1. Watershed operations authorized by PL-534:							
(a) Planning.....	\$1,497,944:	39:	\$1,550,960:	39:	-870,960:	680,000:	6
(b) Technical assistance.....	13,314,500:	354:	13,958,655:	355:	-7,813,655:	6,145,000:	60
(c) Financial assistance for construction:							
Direct Federal contracting...	21,172,481:	--:	1,660,000:	--:	-1,181,000:	479,000:	--
Payment for contracting by local sponsors	3,030,203:	--:	577,000:	--:	-506,000:	71,000:	--
(d) Loan services..	167,000:	6:	80,000:	3:	-80,000:	--:	--
Subtotal, flood prevention.....	39,182,128:	399:	17,826,615:	397:	-10,451,615(1)	7,375,000:	66
2. Emergency Watershed Protection Operation	49,929,875:	130:	26,379,615:	160:	-25,394,615(2)	985,000:	--
3. Small watersheds authorized by PL-566:							
(a) Technical assistance.....	64,799,304:	1,552:	60,029,433:	1,387:	-22,015,433:	38,014,000:	374
(b) Financial assistance for construction:							
Direct Federal contracting...	52,357,846:	--:	16,464,544:	--:	-13,851,544:	2,613,000:	--
Payment for contracting by local sponsors	19,909,831:	--:	6,260,872:	--:	-5,223,872:	1,037,000:	--
(d) Loan services..	333,000:	11:	175,000:	6:	-175,000:	--:	--
Subtotal, watershed operations.....	137,399,981:	1,563:	82,929,849:	1,393:	-41,265,849(3)	41,664,000:	374
Subtotal watershed and flood prev. operations	226,511,984:	2,092:	127,136,079:	1,950:	-77,112,079:	50,024,000:	440
Proposed rescission...	--:	--:	96,000,000:	--:	-96,000,000:	--:	--
Total direct obligations.....	226,511,984:	2,092:	223,136,079:	1,950:	-173,112,079:	50,024,000:	440
Unobligated balance brought forward.....	(-16,291,063)	--	(-47,251,079)	--	+47,251,079:	--	--
Unobligated balance carried forward.....	(+47,251,079)	--	--	--	--	--	--
Appropriation.....	(257,472,000)	2,092	(175,885,000)	1,950:	(-125,861,000)	(50,024,000)	(440)

Project	1986		1987 estimated		Decrease	1988 estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
Reimbursable obligations:							
1. Watershed operations authorized by PL-534:							
(a) Planning.....	--	--	--	--	--	--	--
(b) Technical assistance....	157,673	2	164,000	2	-164,000	--	--
(c) Financial assistance for construction:							
Direct Federal contracting...	1,055,414	--	2,836,000	--	-2,836,000	--	--
Payment for contracting by local sponsors	--	--	--	--	--	--	--
(d) Loan services..	--	--	--	--	--	--	--
Subtotal, flood prevention.....	1,213,087	2	3,000,000	2	-3,000,000	--	--
2. Emergency Watershed Protection Operation	652,965	--	2,000,000	--	-2,000,000	--	--
3. Small watersheds authorized by PL-566:							
(a) Technical assistance....	1,373,927	--	1,861,700	--	-1,861,700	--	--
(b) Financial assistance for construction:							
Direct Federal contracting...	2,629,414	--	12,138,300	--	-12,138,300	--	--
Payment for contracting by local sponsors	--	--	--	--	--	--	--
(c) Loan services..	--	--	--	--	--	--	--
Subtotal, watershed operations.....	4,003,341	2	14,000,000	2	-14,000,000	--	--
Total, reimbursable obligations.....	5,869,393	2	19,000,000	2	-19,000,000	--	--
Obligational authority.....	232,381,377	2,094	242,136,079	1,952	-192,112,079	50,024,000	440

SOURCES OF REIMBURSEMENTS

	1986	1987		1988
	Actual	estimated	Decrease	estimated
Within USDA.....	38,322	102,685	-102,685	
Other Federal Agencies.....	396,490	1,062,400	-1,062,400	
Non-Federal Sources.....	5,434,581	17,834,915	-17,834,915	
Total reimbursements.....	5,869,393	19,000,000	-19,000,000	

OUTLAYS

	1986	1987		1988
	Actual	estimated	Decrease	estimated
1. Watershed operations authorized by PL-534.....	48,108,000	32,495,000	-16,871,000	15,624,000
2. Emergency Watershed Protection Operations.....	39,903,000	41,956,000	-27,303,000	14,653,000
3. Small watersheds authorized by PL-566.....	168,556,098	111,331,000	-33,798,000	77,533,000
Proposed rescission.....	--	66,000,000	-36,000,000	30,000,000
Total Outlays.....	256,567,098	251,782,000	-113,972,000	137,810,000

EXPLANATION OF PROGRAM

The appropriation "Watershed and Flood Prevention Operations" funds those activities authorized by the Watershed Protection and Flood Prevention Act as amended (16 U.S.C. 1001-1005, 1007-1008) and the Flood Control Act, as amended and supplemented (33 U.S.C. 701, 16 U.S.C. 1006a) and Sections 403-405 of the Agricultural Credit Act of 1978 (16 U.S.C. 2203-2205), which relate to installation of individual watershed projects, flood prevention subwatershed projects, and emergency watershed protection. Activities include:

Watershed Operations Authorized by PL-534

The planning criteria, economic justifications, local sponsorship requirements, cost-sharing criteria, and other policies and procedures used in the Flood Prevention Program have been adjusted to generally parallel those of the Watershed Protection Program. The Department helps install watershed improvement measures to reduce flood, sediment, and erosion damages; further the conservation, development, utilization, and disposal of water; further the conservation and proper utilization of land; and to accomplish other measures incorporated in subwatershed work plans. The following table shows the status of subwatershed work plans:

<u>Subwatersheds Status</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
In reconstruction.....	21	17	--
In construction.....	84	89	--
Completed construction.....	225	225	--
Feasible, but not started.....	76	75	--
Total subwatersheds.....	<u>406</u>	<u>406</u>	<u>--</u>

Emergency Watershed Protection Operations

Funding authority for FY 1988 is requested under Sections 403-405 of the Agricultural Credit Act of 1978. Funding is for such emergencies for runoff retardation and soil erosion prevention as may be needed to safeguard life and property from floods and the products of erosion on any watershed whenever flood, fire, drought, or any other natural element causes a sudden impairment of the watershed. The Department administers the program by providing technical assistance and arranging with local contractors to install most of the required measures.

Small Watershed Operations Authorized by PL-566

The Department provides technical and financial assistance to local organizations to install the watershed works of improvement for watershed protection, flood prevention, agricultural water management, recreation, and fish and wildlife development, and other authorized features specified in the work plans.

The following table shows the status of PL-566 watershed projects:

<u>Status of Operational Projects</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
Projects in pre-construction end-of-year..	145	170	--
Projects under construction, start of year	399	404	--
New construction starts.....	10	20	--
Less: Projects completed during year.....	15	10	--
Projects continuing land treatment.....	41	31	--
Projects completed, end of year.....	648	658	--
Projects not requiring funds.....	154	154	--
Total operational projects.....	<u>1,382</u>	<u>1,427</u>	<u>--</u>

OIG Reports:Completed:

#50649-1-TE & #10002-1-TE	Final 5/30/86	USDA'S need of better information to make policy decisions on flood prevention projects
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In Progress:

Unnumbered	8/22/86	Implementation of the Field Office Communication and Automation System.
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#10097-1-HY	9/86	SCS Emergency Watershed Project Morgantown, West Virginia
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Unnumbered	10/31/86	P.L.-566 - Small Watershed Operations.
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JUSTIFICATION OF INCREASES AND DECREASES

- (1) A net decrease in appropriation of \$9,896,000 (excluding the \$9,000,000 of financial assistance funds proposed for rescission) for Watershed Operations authorized by PL-534 (on the basis of available funds, there is a decrease of \$10,451,615 excluding the proposed rescission) consisting of:

- (a) A program decrease of \$17,271,000 (excluding the \$9,000,000 proposed rescission) to terminate activities authorized by PL-534.

Need of Change. Significant reductions are proposed in selected USDA conservation programs primarily for fiscal policy reasons in order to reduce Federal deficits. Project benefits are local in nature and, if of sufficient value, should be within the capability of State and project sponsors to fully fund.

Nature of Change. The proposed reductions would terminate new funding for watershed operations authorized by PL-534. No new financial assistance would be provided for construction or long term contracts. Technical assistance and long term contract administration would be done under the basic conservation technical assistance program funded under the "Conservation Operations" account.

- (b) An increase of \$7,375,000 for lump sum payments, severance pay and other nonrecurring program termination costs.

- (2) A net increase in appropriation of \$985,000 (excluding the \$14,755,000 of new FY 1987 budget authority and \$8,245,000 of unobligated funds carried forward into FY 1987 that is proposed for rescission) for Emergency Watershed Operations (on the basis of available funds, there is a decrease of \$25,394,615 excluding the proposed rescission) consisting of:

- (a) No program change in new budget authority, but a \$26,379,615 (excluding the \$23,000,000 of financial assistance funds proposed for rescission) decrease in available funds to terminate Emergency Watershed activities.

Need of Change. Significant reductions are proposed in selected USDA conservation programs primarily for fiscal policy reasons in order to reduce Federal deficits. Project benefits are local in nature and, if of sufficient value, should be within the capability of State and project sponsors to fully fund.

Nature of Change. The proposed reductions would terminate funding for Emergency Watershed Protection. Funds would be used to terminate activities and archive records.

- (b) An increase of \$985,000 for lump sum payments, severance pay and other nonrecurring program termination costs.

- (3) A net decrease in appropriation of \$29,195,000 (excluding the \$64,000,000 of financial assistance funds proposed for rescission) for Watershed Operations authorized by PL-566 (on the basis of available funds, there is a decrease of \$41,265,849 excluding the proposed rescission) consisting of:

- (a) A program decrease of \$70,859,000 (excluding the \$64,000,000 proposed rescission) to terminate activities authorized by PL-566.

Need of Change. Significant reductions are proposed in selected USDA conservation programs primarily for fiscal policy reasons in order to reduce Federal deficits. The tendency of many existing projects for agricultural flood protection after results in raising the capacity to produce surplus commodities.

Nature of Change. The proposed reductions would terminate new funding for watershed operations authorized by PL-566. No new financial assistance would be provided for construction or long term contracts. Technical assistance and long term contract administration would be done under the basic conservation technical assistance program funded under the "Conservation Operations" account.

- (b) An increase of \$41,664,000 for lump sum payments, severance pay and other nonrecurring program termination costs.

Distribution of Funds by Agency for Operating Flood Prevention Projects

	1986 Obligations:	Brought Forward from 1986	1987 Appro- priation (adjusted)	Estimated Obligations 1987	Budget Estimate 1988 a/
<u>SOIL CONSERVATION SERVICE</u>					
Buffalo Creek, NY.....	13,933:	--:	--:	--:	--
Colorado (Middle), Texas..	1,545,258:	--:	887,610:	887,610:	268,000
Coosa, Georgia,					
Tennessee	50,455:	--:	--:	--:	--
Little Sioux, Iowa.....	2,346,706:	23,000:	2,213,710:	2,236,710:	676,000
Little Tallachatchie, MS..	1,041,828:	--:	990,990:	990,990:	300,000
Los Angeles, California...	--:	--:	--:	--:	--
Potomac, MD, PA, VA, and					
W. VA.....	2,932,511:	183,000:	2,795,680:	2,978,680:	900,000
Santa Ynez, California....	3,983,208:	--:	339,770:	339,770:	103,000
Trinity, Texas.....	4,207,632:	--:	4,271,980:	4,271,980:	1,291,000
Washita, Oklahoma, Texas..	3,203,566:	143,615:	2,881,060:	3,024,675:	914,000
Yazoo, Mississippi.....	17,428,449:	206,000:	9,470,200:	9,676,200:	2,923,000
Subtotal, SCS.....	36,753,546:	555,615:	23,851,000:	24,406,615:	7,375,000
<u>FOREST SERVICE b/</u>					
Little Sioux, Iowa.....	--:	--:	--:	--:	--
Little Tallahatchie, MS...	--:	--:	--:	--:	--
Los Angeles, California...	1,210,082:	--:	1,294,000:	1,294,000:	--
Potomac, MD, PA, VA, and					
W. VA.....	235,000:	--:	185,000:	185,000:	--
Santa Ynez, California....	692,000:	--:	741,000:	741,000:	--
Trinity, Texas.....	73,000:	--:	72,000:	72,000:	--
Washita, Oklahoma, Texas..	42,000:	--:	45,000:	45,000:	--
Yazoo, Mississippi.....	10,000:	--:	3,000:	3,000:	--
Subtotal, Forest Service	2,262,082:	--:	2,340,000:	2,340,000:	--
<u>FARMERS HOME ADMINISTRATION</u>					
Loan Services.....	166,500:	--:	80,000:	80,000:	--
Total, all agencies.....	39,182,128:	555,615:	26,271,000:	26,826,615:	7,375,000
Less Proposed rescission....	--:	--:	--:	-9,000,000:	--
Total, P.L.-534 operations..	39,182,128:	555,615:	26,271,000:	17,826,615:	7,375,000

a/ All funds would be used to operate a reduction-in-force and close out program operations.

b/ Forest Service distribution of 1987 obligations are estimated.

PL-566 Project Activity and Obligations

The following table shows the status of Public Law 566 projects by stage of assistance and amounts obligated or estimated to be obligated.

	<u>1986</u>		<u>1987</u>		<u>1988</u>	
	<u>Number</u>	<u>Dollars in Thousands</u>	<u>Number</u>	<u>Dollars in Thousands a/</u>	<u>Number</u>	<u>Dollars in Thousands b/</u>
1. Projects approved for operation and estimated cost of completion:						
a. Uncompleted projects at beginning of year..	717	1,268,373	734	1,165,264	769	1,087,359
b. Projects approved during year.....	32	34,291	45	69,300	--	--
Total.....	749	1,302,664	779	1,234,564	769	1,087,359
2. Status of projects and amounts obligated:						
a. Projects inactive end of year	24	--	18	--	--	--
b. Deauthorized, cumulative.....	130	--	135	--	--	--
c. Projects receiving preconstruction land treatment and engineering services, end of year.....	145	9,340	170	10,950	--	--
d. Projects moved into construction during year.....	10	3,604	20	7,210	--	--
e. Prior year projects continuing construction and land treatment.....	384	120,004	394	125,435	--	--
f. Projects with construction completed continuing land treatment.....	41	4,045	31	3,060	--	--
g. Projects completed during year.....	15	407	10	275	--	--
Subtotal.....	749	137,400	779	146,930 a/	769	--
3. Uncompleted projects (cumulative) at end of year:						
a. Obligations to date...	734	1,993,262	769	2,140,192 a/	769	2,140,192a/
b. Estimated cost of completion.....	--	1,165,264	--	1,087,359	--	1,087,539
4. Projects completed (cumulative and total cost).....	648	753,218	658	753,493	658	753,493
5. Total projects approved (cumulative and total cost).....	1,382	3,911,744	1,427	3,981,044	1427	3,981,044
6. Program terminations.....	--	--	--	--	--	41,664
Total (cumulative obligations)	1,382	2,746,480	1,427	2,893,410a/	1427	2,893,410a/

a/ The proposed rescissions for FY 1987 would reduce these amounts by \$64,000,000.

b/ All funds would be used to operate a reduction-in-force and close-out program operations in FY-1988.

c/ Excludes FY-1988 program close-out funds.

SOIL CONSERVATION SERVICE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1986 AND ESTIMATED 1987 AND 1988
WATERSHED AND FLOOD PREVENTION OPERATIONS

	1986 AMOUNT	1986 STAFF YEARS	1987 AMOUNT	1987 STAFF YEARS	1988 AMOUNT	1988 STAFF YEARS
ALABAMA	\$2,580,381	31	\$1,311,529	26	\$654,295	6
ALASKA	0		474,663	2	51,178	0
ARIZONA	5,957,561	32	2,140,995	33	844,367	7
ARKANSAS	4,778,363	54	2,146,140	48	1,220,763	11
CALIFORNIA	13,200,767	56	7,176,555	58	1,488,935	13
COLORADO	978,241	8	439,775	8	209,898	2
CONNECTICUT	1,348,730	15	557,515	13	327,538	3
DELAWARE	796,499	17	444,125	12	315,938	3
FLORIDA	801,915	15	398,002	9	238,830	2
GEORGIA	2,191,562	41	1,587,854	25	634,606	6
HAWAII	2,777,833	10	977,170	14	348,692	3
IDAHO	762,313	7	592,525	7	181,511	2
ILLINOIS	5,377,123	28	7,017,122	40	1,016,734	9
INDIANA	1,556,853	32	748,964	19	473,566	4
IOWA	4,442,500	77	4,697,199	74	1,887,440	17
KANSAS	4,157,774	61	4,649,225	56	1,430,251	13
KENTUCKY	1,670,915	26	924,022	17	433,989	4
LOUISIANA	5,725,098	63	1,809,879	44	1,130,008	10
MAINE	404,815	9	184,040	6	156,945	1
MARYLAND	831,916	12	291,383	9	226,138	2
MASSACHUSETTS	1,902,893	14	635,848	15	375,304	3
MICHIGAN	723,864	10	1,541,772	18	466,743	4
MINNESOTA	3,354,746	23	1,257,853	26	672,136	6
MISSISSIPPI	25,201,074	211	21,588,644	224	5,733,971	51
MISSOURI	2,945,892	40	1,951,004	40	1,012,640	9
MONTANA	711,354	13	547,065	11	274,996	2
NEBRASKA	3,497,092	41	2,226,007	32	816,799	7
NEVADA	280,999	1	44,655	0	0	0
NEW HAMPSHIRE	291,196	6	160,035	5	136,475	1
NEW JERSEY	846,651	17	925,657	15	382,538	3
NEW MEXICO	2,293,481	33	5,437,014	34	859,342	8
NEW YORK	2,914,604	35	1,193,011	20	500,179	4
NORTH CAROLINA	3,148,294	41	1,944,406	37	949,861	8
NORTH DAKOTA	312,783	7	270,064	8	192,429	2
OHIO	5,929,135	37	1,684,625	32	825,670	7
OKLAHOMA	10,600,854	133	7,763,885	132	3,365,458	30
OREGON	1,655,242	13	977,802	12	309,115	3
PENNSYLVANIA	4,425,856	48	2,095,168	35	889,130	8
PUERTO RICO	359,913	4	160,035	5	136,475	1
RHODE ISLAND	41,717	1	33,796	1	17,059	0
SOUTH CAROLINA	2,062,346	21	1,218,092	19	494,719	4
SOUTH DAKOTA	429,146	7	92,020	3	78,473	1
TENNESSEE	4,465,153	50	1,916,391	42	1,064,500	9
TEXAS	16,630,403	244	8,188,939	205	5,234,475	46
UTAH	758,196	8	804,723	10	259,301	2
VERMONT	1,489,653	8	782,680	12	317,986	3
VIRGINIA	10,137,435	55	2,170,699	40	1,030,381	9
WASHINGTON	1,623,149	15	976,278	15	377,352	3
WEST VIRGINIA	37,619,376	81	7,204,815	95	2,439,479	21
WISCONSIN	2,697,646	14	440,751	9	235,418	2
WYOMING	126,700	2	232,038	3	77,108	1
CHESTER NTC	990,977	19	780,169	26	665,313	6
FORT WORTH NTC	1,921,555	42	1,563,538	51	1,333,355	12
LINCOLN NTC	1,073,347	26	872,189	29	743,786	7
PORTLAND NTC	1,062,892	18	844,983	28	720,585	6
NATIONL HDQTRS	6,016,158	71	4,401,746	71	3,753,727	33
FMHA ALLOCATN	499,500	17	255,000	9	0	0
FS ALLOCATION	4,129,553	72	3,384,000	61	0	0
PROPOSED						
RESCISSION...	---	---	96,000,000	---	---	---
TOTAL, WATER- SHED & FLOOD PREVENTION OPERATIONS...	\$226,511,984	2,094	\$223,136,079	1,952	\$50,024,000	440

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Great Plains Conservation Program

For necessary expenses to [carry into effect a program of conservation in the Great Plains area, pursuant to section 16(b) of the Soil Conservation and Domestic Allotment Act, as added by the Act of August 7, 1956, as amended (16 U.S.C. 590p(b)), \$20,474,000 to remain available until expended.] closeout activities previously funded under this account, \$2,831,000.

This change deletes language to carry out the Great Plains Conservation Program beyond FY 1988. Program operations would be terminated as quickly as possible.

Great Plains Conservation Program

Appropriation Act, 1987.....	\$20,474,000
Budget Estimate, 1988.....	2,831,000
Decrease in Appropriation.....	<u><u>-\$17,643,000</u></u>

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

Item of Change	1987 Estimated	Program Changes	1988 Estimated
Great Plains Conservation Program:			
1. Cost-sharing assistance.....	\$2,648,000	-\$2,648,000	--
2. Cost-share program and contract administration	3,144,000	-2,238,000	\$906,000
3. Technical assistance.....	6,682,000	-4,757,000	1,925,000
Proposed rescission.....	8,000,000	-8,000,000	--
TOTAL AVAILABLE.....	<u>\$20,474,000a/</u>	<u>-\$17,643,000</u>	<u>\$2,831,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	1986	:	1987 estimated	:	Decrease	1988 estimated	:	Staff
	Amount	:Staff:	Amount	:Staff:		Amount	:Staff	
Great Plains Conserva-		:		:			:	
tion Program:		:		:			:	
1. Cost-sharing		:		:			:	
assistance.....	\$11,540,000:	--:	\$2,648,000:	--:	-\$2,648,000:	--	:	--
2. Cost-share program		:		:			:	
and contract		:		:			:	
administration.....	2,861,000:	80:	3,144,000:	83:	-2,238,000:	\$906,000:	13	
3. Technical		:		:			:	
assistance.....	6,081,000:	170:	6,682,000:	177:	-4,757,000:	1,925,000:	27	
Proposed rescission...	--	--:	8,000,000:	--:	-8,000,000:	--	:	--
Total available or est	<u>20,482,000:</u>	<u>250:</u>	<u>20,474,000a/</u>	<u>260:</u>	<u>-17,643,000(1)</u>	<u>2,831,000:</u>	<u>40</u>	

a/ A request has been submitted to Congress to rescind \$8,000,000 in unobligated cost share funds as of January 5, 1987, in anticipation of the complete termination of this program as proposed for FY 1988.

PROJECT STATEMENT
(On basis of available funds)

Project	1986	:	1987 estimated	:	Decrease	1988 estimated	:	Staff
	Amount	:Staff:	Amount	:Staff:		Amount	:Staff	
Direct obligations:		:		:			:	
Great Plains Conserva-		:		:			:	
tion Program:		:		:			:	
1. Cost-sharing		:		:			:	
assistance.....	\$11,539,448:	--:	\$2,648,000:	--:	-\$2,648,000:	--	:	--
2. Cost-share program		:		:			:	
and contract		:		:			:	
administration.....	2,869,182:	80:	3,149,000:	83:	-2,243,000:	\$906,000:	13	
3. Technical		:		:			:	
assistance.....	6,097,012:	170:	6,692,342:	177:	-4,767,342:	1,925,000:	27	
Proposed rescission...	--	--:	8,000,000:	--:	-8,000,000:	--	:	--
Total direct oblig....	<u>20,505,642:</u>	<u>250:</u>	<u>20,489,342:</u>	<u>260:</u>	<u>-17,658,342:</u>	<u>2,831,000:</u>	<u>40</u>	
Unobligated balance		:		:			:	
brought forward.....	(-38,984):	--:	(-15,342)	--:	(+15,342)	--	:	--
Unobligated balance		:		:			:	
carried forward.....	(+15,342)	--:	--	--:	--	--	:	--
Adjusted appropriation	<u>(20,482,000)</u>	<u>(250)</u>	<u>(20,474,000)</u>	<u>(260)</u>	<u>(-17,643,000)</u>	<u>(2,831,000)</u>	<u>(40)</u>	
Reimbursable oblig....	30,464:	--:	60,000:	--:	-60,000:	--	:	--
Obligational authority	<u>\$20,536,106:</u>	<u>250:</u>	<u>20,549,342:</u>	<u>260:</u>	<u>-17,718,342:</u>	<u>2,831,000:</u>	<u>40</u>	

SOURCES OF REIMBURSEMENTS

Project	1986 Actual	1987 (estimated)	Decrease	1988 (estimated)
Federal Sources.....	\$17,556:	\$26,000 :	-\$26,000 :	--
Other Non-Federal Sources.....	12,908:	34,000 :	-34,000 :	--
Total reimbursements.....	\$30,464:	60,000 :	-60,000 :	

OUTLAYS

Great Plains Conservation Program:				
1. Cost-sharing assistance.....	\$11,173,887:	\$6,682,000 :	+\$2,164,000 :	\$8,846,000
2. Cost-share program and contract administration.....	2,837,164:	3,149,000 :	-2,064,000 :	1,085,000
3. Technical assistance.....	6,028,973:	6,691,000 :	-4,385,000 :	2,306,000
Proposed rescission.....	--:	5,000,000 :	-2,000,000 :	3,000,000
Total Outlays.....	\$20,040,024:	\$21,522,000:	-6,285,000 :	15,237,000

EXPLANATION OF PROGRAM

Authorization: The appropriation for "Great Plains Conservation Program" funds Soil Conservation Service activities authorized under Section 16(b) of the Soil Conservation and Domestic Allotment Act (PL 74-46) as amended by PL 84-1021. PL 96-263 amended PL 84-1021 to extend the Great Plains cost-share contracting authority to September 30, 1991.

Authorization limits: Total cumulative appropriations of \$600,000,000 are authorized for cost-sharing. Cost-sharing payment in any one fiscal year may not exceed \$50,000,000. Through September 30, 1986, \$311,023,261 have been paid out in cost-shares.

This program is in addition to other USDA soil and water conservation programs in the counties designated for participation, and is coordinated with programs and objectives of locally managed conservation districts, State agencies, and community groups.

Potential Workload:	<u>Acres (in 000's)</u>
Estimated acreage in the 518 designated counties that could come under Great Plains contracts.....	198,000
Current Activity:	
Land under active contracts as of September 30, 1986.....	15,313

The purpose of the program is to assist farmers and ranchers in planning and applying resource management systems on their farms and ranches to prevent or reduce the effects of the climatic hazards of the area. Benefits to be achieved are protection and improvement of soil, water, plant, and wildlife resources through reduction of erosion and sedimentation, abatement of agriculture-related pollution, and, as a secondary benefit, a stabilizing impact on the local economy. Activities include:

- Cost-sharing assistance - Payments are made to program participants for a share of the cost of installing eligible conservation practices scheduled in contracts, including, among others, terraces, permanent vegetative cover, re-establishing grasslands and pipelines.
- Cost-share programming and contract administration - Soil Conservation Service provides assistance in developing contracts, which include schedules of conservation practices to be applied, and administers contracts.
- Technical assistance - Soil Conservation Service provides assistance to help farmers and ranchers plan, install, and maintain scheduled conservation practices according to standards and specifications.

PROGRAM RESULTS

	FY 1986 Actual	FY 1987 Estimate a/	FY 1988 Estimate
Active Contracts - beginning of year.....	5,751:	5,616:	4,852
New Contracts signed.....Annual	946:	236:	--
.....Cumulative	63,484:	63,720:	63,720
Contracts Completed and Terminated.....Annual	1,081:	1,000:	--
.....Cumulative	57,868:	58,868:	59,868
Active Contracts - end of year.....	5,616:	4,852:	4,852
Applications awaiting contracts beginning of year	1,521:	1,587:	2,251
Applications received.....Annual	1,112:	1,000:	--
Applications serviced.....Annual	-946:	-236:	--
Applications cancelled.....Annual	-100:	-100:	-2,251
Applications on hand end of year.....	1,587:	2,251:	--
Acres in new contracts (1,000).....Annual	2,673:	667:	--
Acres in applications on hand(1,000's)	4,500:	6,384:	--
Number of participants serviced.....Annual	6,697:	5,852:	--

a/ Data reflects impact of the proposed \$8,000,000 rescission.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net decrease in appropriation of \$17,643,000 for the Great Plains Conservation program (on the basis of available funds there is a decrease of \$17,658,342) consisting of:

(a) A program decrease of \$20,474,000 to terminate the Great Plains Conservation Program.

Need for change. Significant reductions are proposed in selected USDA conservation programs primarily for fiscal policy reasons in order to reduce Federal deficits. Funding from State and local governments and private sources, which account for a major portion of the total conservation investment would permit continuation of higher priority conservation work on the Nation's agricultural lands.

Nature of change. The proposed reduction would terminate new funding for the Great Plains Conservation Program by the end of fiscal year 1988. No new contracts would be signed and all pending applications would be cancelled. Commitments under existing contracts would be honored. Payments to cooperators would continue over the next several years as work is completed. Technical assistance and contract administration would be done under the basic conservation technical assistance program funded under the "Conservation Operations" account.

(b) An increase of \$2,831,000 for lump sum payments, severance pay and other nonrecurring program termination costs.

Soil Conservation Service
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1986 and ESTIMATED 1987 and 1988
GREAT PLAINS CONSERVATION PROGRAM

	<u>1986</u>		<u>1987</u>		<u>1988</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>
Colorado	\$1,743,304	16	\$1,083,936	17	\$225,249	3
Kansas	1,848,730	31	1,181,544	32	274,931	5
Montana	1,633,566	19	992,540	21	210,618	3
Nebraska	1,877,596	28	1,139,864	26	257,862	4
New Mexico	1,115,500	11	570,900	10	125,883	2
North Dakota	1,358,982	19	921,233	21	210,923	3
Oklahoma	1,797,051	18	860,924	17	182,271	3
South Dakota	1,877,423	20	1,272,995	23	274,626	4
Texas	5,541,091	68	3,192,698	73	748,595	10
Wyoming	1,102,341	11	707,954	12	157,583	2
Fort Worth NTC	28,486	2	30,728	2	8,839	0
Lincoln NTC	43,982	1	44,502	1	12,802	0
Portland NTC	26,319	1	30,728	1	8,839	0
National Hdqtrs.	511,271	5	458,796	4	131,979	1
Proposed Rescission	--	-	8,000,000	-	--	-
Total, Available or Estimate.....	<u>\$20,505,642</u>	<u>250</u>	<u>20,489,342</u>	<u>260</u>	<u>2,831,000</u>	<u>40</u>

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Resource Conservation and Development

For necessary expenses [in planning and carrying out projects for resource conservation and development and for sound land use pursuant to the provisions of section 32(e) of title III of the Bankhead-Jones Farm Tenant Act, as amended (7 U.S.C. 1010-1011); 76 Stat. 607), and the provisions of the Act of April 27, 1935 (16 U.S.C. 590a-f), and the provisions of the Agriculture and Food Act of 1981 (16 U.S.C. 3451-3461), \$25,020,000: Provided, That \$2,000,000 in loans may be insured, or made to be sold and insured, under the Agricultural Credit Insurance Fund to the Farmers Home Administration (86 Stat. 663): Provided further, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$50,000 shall be available for employment under 5 U.S.C. 3109.] to closeout activities previously funded under this account, \$10,002,000.

This change deletes language to carry out the Resource Conservation and Development program beyond FY 1988. Program operations would be terminated as quickly as possible, and the Farmers Home Administration would no longer be authorized to make loans associated with this activity.

Resource Conservation and Development

Appropriation Act, 1987.....	\$25,020,000
Budget Estimate, 1988.....	10,002,000
Decrease in Appropriation.....	<u>-15,018,000</u>

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

Item of Change	1987 Estimated	Program Changes	1988 Estimated
Resource Conservation and Development:			
1. Technical assistance.....	\$17,743,000	-\$7,841,000	\$9,902,000
2. Financial assistance.....	2,202,000	-2,102,000	100,000
3. Loan services.....	75,000	- 75,000	--
Proposed rescission.....	5,000,000	-5,000,000	--
TOTAL AVAILABLE.....	<u>\$25,020,000</u>	<u>-\$15,018,000</u>	<u>\$10,002,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	1986		1987 estimated		Decrease	1988 estimated	
	Amount	: Staff: : Years:	Amount	: Staff: : Years:		Amount	: Staff : Years
Resource Conservation and Development:							
1. Technical assistance.....	\$17,265,100:	401 :	\$17,743,000:	412 :	-\$7,841,000 :	\$9,902,000:	87
2. Financial assistance.....	7,658,000:	-- :	2,202,000:	-- :	-2,102,000 :	100,000:	--
3. Loan services.....	113,900:	4 :	75,000:	3 :	-75,000 :	-- :	--
Proposed rescission...	-- :	-- :	+5,000,000:	-- :	-5,000,000	--	--
Total available or est.	<u>\$25,037,000:</u>	<u>405 :</u>	<u>\$25,020,000:</u>	<u>415 :</u>	<u>-\$15,018,000 (1)</u>	<u>\$10,002,000:</u>	<u>87</u>

PROJECT STATEMENT
(On basis of available funds)

Project	1986		1987 estimated		Decrease	1988 estimated	
	Amount	: Staff: : Years:	Amount	: Staff: : Years:		Amount	: Staff : Years
Resource Conservation and Development:							
1. Technical assistance.....	\$17,339,368:	401 :	\$17,875,533:	412 :	-\$7,973,533 :	\$9,902,000:	87
2. Financial assistance.....	8,085,568:	-- :	3,184,036:	-- :	-3,084,036 :	100,000:	--
3. Loan services.....	113,900:	4 :	75,000:	3 :	-75,000 :	-- :	--
Proposed rescission...	-- :	-- :	5,000,000:	-- :	-5,000,000	--	--
Total direct oblig....	<u>25,538,836:</u>	<u>405 :</u>	<u>26,134,569:</u>	<u>415 :</u>	<u>-15,132,569</u>	<u>10,002,000:</u>	<u>87</u>
Unobligated balance brought forward.....	(-1,616,405)	(--)	(-1,114,569)	(--)	(--)	(--)	(--)
Unobligated balance carried forward.....	(+1,114,569)	(--)	(--)	(--)	(--)	(--)	(--)
Appropriation total...	<u>(25,037,000)</u>	<u>(405)</u>	<u>(25,020,000)</u>	<u>(415)</u>	<u>(-15,018,000)</u>	<u>(10,002,000)</u>	<u>(87)</u>
Reimbursable obligations:							
Resource Conservation and Development:							
(a) Technical assistance.....	92,658:	-- :	170,740:	-- :	-170,740 :	-- :	--
(b) Financial assistance.....	992,725:	-- :	1,829,260:	-- :	-1,829,260 :	-- :	--
Total reimbursable obligations.....	<u>1,085,383:</u>	<u>-- :</u>	<u>2,000,000:</u>	<u>-- :</u>	<u>-2,000,000</u>	<u>-- :</u>	<u>--</u>
Obligational authority	<u>\$26,624,219:</u>	<u>405 :</u>	<u>28,134,569:</u>	<u>415 :</u>	<u>-\$18,132,569</u>	<u>\$10,002,000:</u>	<u>87</u>

SOURCES OF REIMBURSEMENTS

Project	1986 Amount	1987 Est. Amount	Decrease	1988 Est. Amount
Federal Sources.....	\$34,676	\$63,600	-\$63,600	--
Non-Federal Sources....	1,050,707	1,936,400	-1,936,400	--
Total Reimbursements...	<u>\$1,085,383</u>	<u>2,000,000</u>	<u>-2,000,000</u>	<u>--</u>

OUTLAYS

Resource Conservation and Development:				
(a) Technical assistance.....	\$17,361,168	\$18,304,000	-\$7,890,000	\$10,414,000
(b) Financial assistance.....	9,664,124	6,771,000	-1,619,000	5,152,000
(c) Loan services.....	113,900	75,000	-75,000	--
Proposed rescission....	--	3,000,000	-1,000,000	2,000,000
Total Outlays.....	<u>\$27,139,192</u>	<u>\$28,150,000</u>	<u>-\$10,584,000</u>	<u>\$17,566,000</u>

EXPLANATION OF PROGRAM

The appropriation "Resource Conservation and Development" funds the activities authorized under Section 32(e) of Title III of the Bankhead-Jones Farm Tenant Act (Public Law 95-210) as amended and the Soil Conservation and Domestic Allotment Act of April 27, 1935, (Public Law 74-46) as amended and the provision of the Agriculture and Food Act of 1981 (16 U.S.C. 3451-3461). Program assistance provided authorized RC&D areas includes technical assistance for planning and implementation, financial assistance, and loan services.

Technical Assistance: Staff assistance is provided to local sponsors in the preparation of RC&D area plans for the conservation, development, and utilization of the natural resources in the RC&D area. Staff assistance is also provided to local sponsors in the implementation of their RC&D plans. This includes:

- Assistance with inventories and studies of a measure of areawide scale that directly aid sponsors in achieving their RC&D objectives.
- Assistance in developing plans, designs, layout, and installation of measures eligible for RC&D financial assistance.
- Assistance to sponsors to achieve activities and measures contained in the RC&D plans which are ineligible for RC&D financial assistance.

Financial Assistance: Financial assistance is provided to eligible sponsors to install approved measures. Priority is given to measures related to erosion and sediment control (critical area treatment), flood prevention and farm irrigation, and efficiency in water short areas. Other purposes include land drainage, soil and water management for control of agriculture-related pollutants, public water-based recreation developments, and public water-based fish and wildlife developments.

MAIN WORKLOAD FACTORS

	1986 Actual	1987 Estimate	1988 Estimate
<u>Status of Authorized RC&D Areas:</u>			
RC&D areas authorized at beginning of year.....	194	191	189
New RC&D areas deauthorized during year.....	3	2	0
RC&D areas authorized at end of year.....	191	189	0
Unserviced applications on hand....	47	47	47
<u>RC&D Measures:</u>			
<u>Financially assisted (F.A.):</u>			
In Planning (BOY).....	540	663	663
New Plans in Year.....	366	250	0
New Plans Cumulative.....	6,938	7,188	7,188
Plans Completed in Year.....	57	50	0
Plans Completed Cumulative.....	3,081	3,131	3,131
Plans Cancelled in Year.....	186	200	0
Plans Cancelled Cumulative.....	977	1,777	1,777
Plans terminated.....	--	--	455
In Planning (EOY).....	663	663	0
Installation Underway (BOY).....	414	255	140
Installation Started in Year.....	57	50	0
Installation Started Cumulative..	3,081	3,131	3,131
Installation Completed in Year...	197	150	0
Installation Completed Cumulative.....	2,811	2,961	2,961
Projects cancelled in year.....	19	15	0
Projects cancelled cumulative....	69	84	84
Projects terminated.....	--	--	369
Installation Underway (EOY).....	255	140	0
<u>Plans Completed, Installation Not Yet Underway:</u>			
Number.....	718	650	650
Cost (\$ in 000's).....	\$161,550	\$146,250	\$146,250
<u>Measures Completed with Other than RC&D Financial Assistance:</u>			
During Year.....	856	950	0
Cumulative.....	19,397	20,347	20,347

Loan Services Assistance: Funds are provided the Farmers Home Administration (FmHA) to service loans made to sponsors from the Agricultural Credit Insurance Fund. Loan services must be provided from Resource Conservation and Development funds because the Agricultural Credit Insurance Fund of the FmHA is not available for such expenses. The workload in FY 1986 consisted of servicing 148 outstanding loans and loan counseling to help local sponsors arrange funding necessary to implement planned financial assistance measures.

Item	1986		1987		1988	
	No.	Actual Amount	No.	Estimated Amount	No.	Estimated Amount
1. Loans obligated during year..	0	\$0	1	\$120,000	0	\$0
2. Borrowers outstanding.....	148	\$15,967,000	150	\$15,587,000	150	\$15,587,000
3. Loans cumulative.....	291	\$28,512,401	292	\$28,632,401	292	\$29,632,401

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A net decrease in appropriation of \$15,018,000 for the Resource Conservation and Development program (on the basis of available funds there is a decrease of \$16,132,569) consisting of:
- (a) A program decrease of \$20,020,000 (excluding the \$5,000,000 of financial assistance funds proposed for rescission) to terminate the Resource Conservation and Development Program (on the basis of available funds there is a decrease of \$21,134,569) (excluding the \$5,000,000 proposed rescission).

Need for Change. Significant reductions are proposed in selected USDA conservation programs primarily for fiscal policy reasons in order to reduce federal deficits. The research and economic development objectives are locally oriented and should be the primary responsibility of State and local governments. Funding from State and local governments and private sources, which account for a major portion of the total conservation investment, would permit continuation of higher priority conservation work on the Nation's agricultural lands. While the recent review indicated general satisfaction with the program performance by local RC&D councils, the success did not require Federal leadership or general presence.

Nature of Change. The proposed reduction would terminate the Resource Conservation and Development program during the early part of fiscal year 1988. No new measures would be planned, installed or completed. Ongoing work on approximately 455 plans and 369 measures underway at the start of fiscal year 1988 would become the responsibility of State and local organizations in about three months. Federal technical assistance would continue to be available to State and locally funded councils under the "Conservation Operations" account of the Soil Conservation Service and other Federal programs.

- (b) An increase of \$10,002,000 for lump sum payments, severance pay and other nonrecurring program termination costs.

SOIL CONSERVATION SERVICE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1986 AND ESTIMATED 1987 AND 1988
RESOURCE CONSERVATION AND DEVELOPMENT

	1986 AMOUNT	1986 STAFF YEARS	1987 AMOUNT	1987 STAFF YEARS	1988 AMOUNT	1988 STAFF YEARS
ALABAMA	\$563,979	9	\$535,204	12	\$278,701	2
ARIZONA	289,045	6	344,093	7	172,987	2
ARKANSAS	799,471	13	544,379	1	260,081	2
CALIFORNIA	579,923	6	362,125	7	168,782	1
COLORADO	449,479	6	369,818	7	158,571	1
CONNECTICUT	291,900	5	246,231	5	118,328	1
DELAWARE	112,765	2	102,451	3	59,464	1
FLORIDA	202,054	3	155,917	4	83,490	1
GEORGIA	707,502	12	521,007	11	271,493	2
HAWAII	185,703	3	195,370	3	81,087	1
IDAHO	652,319	10	472,669	9	208,425	2
ILLINOIS	576,563	9	420,255	9	212,029	2
INDIANA	513,503	12	677,041	12	289,513	2
IOWA	570,156	11	604,509	12	288,912	2
KANSAS	731,836	11	443,831	10	229,448	2
KENTUCKY	393,040	10	372,777	9	206,023	2
LOUISIANA	332,188	4	210,256	5	109,318	1
MAINE	381,440	8	418,885	8	198,815	2
MARYLAND	454,742	6	295,057	5	130,341	1
MASSACHUSETTS	327,655	6	230,563	5	122,532	1
MICHIGAN	829,172	9	521,389	9	218,035	2
MINNESOTA	582,760	8	430,459	9	224,042	2
MISSISSIPPI	467,039	8	578,471	12	253,474	3
MISSOURI	535,796	11	481,067	10	246,266	2
MONTANA	594,003	8	418,732	8	191,006	2
NEBRASKA	393,643	6	262,155	5	127,338	1
NEVADA	100,562	1	100,382	2	58,263	1
NEW HAMPSHIRE	158,831	3	141,533	3	78,685	1
NEW JERSEY	179,881	3	423,464	5	121,932	1
NEW MEXICO	361,986	7	327,647	8	183,798	2
NEW YORK	616,163	10	550,044	12	294,318	2
NORTH CAROLINA	716,877	10	494,555	9	212,029	2
NORTH DAKOTA	673,797	9	360,696	7	176,591	2
OHIO	737,872	16	710,013	12	294,919	2
OKLAHOMA	1,315,349	11	479,885	11	260,081	2
OREGON	321,740	5	359,897	8	196,412	2
PENNSYLVANIA	414,797	7	355,982	8	180,795	2
PUERTO RICO	79,302	2	105,556	3	61,266	1
RHODE ISLAND	47,800	1	102,796	2	58,263	1
SOUTH CAROLINA	471,800	8	347,274	9	209,026	2
SOUTH DAKOTA	614,667	10	403,520	9	214,432	2
TENNESSEE	615,403	9	414,335	9	209,026	2
TEXAS	1,139,838	17	974,336	15	353,181	2
UTAH	249,941	5	409,122	7	166,980	1
VERMONT	270,769	5	209,671	5	111,120	1
VIRGINIA	262,468	4	206,520	5	109,318	1
WASHINGTON	245,668	5	221,755	5	114,724	1
WEST VIRGINIA	503,834	13	479,227	11	261,282	2
WISCONSIN	371,103	7	314,912	8	188,003	2
WYOMING	325,302	6	303,394	7	163,377	1
CHESTER NTC	103,120	3	109,695	3	63,668	1
FORT WORTH NTC	94,022	2	100,382	2	58,263	1
LINCOLN NTC	104,259	3	109,695	3	63,668	1
PORTLAND NTC	103,426	3	114,870	3	66,671	1
NATIONL HDQTRS	1,032,886	12	970,700	12	563,408	2
FMHA ALLOCATN	113,900	4	75,000	3	0	0
FS ALLOCATION	673,797	2	643,000	2	0	0
PROPOSED						
RESCISSION...	---	---	5,000,000	---	---	--
TOTAL, RESOURCE						
CONSERVATION						
& DEVELOPMENT	\$25,538,836	405	\$26,134,569	415	\$10,002,000	87

Passenger Motor Vehicles

Passenger motor vehicles of the Soil Conservation Service are distributed among 50 State Offices and Puerto Rico, 230 area offices, and various technical specialists located at field headquarters. None of these vehicles are used in Washington, D.C. Vehicles are used in rural and other areas where common carrier facilities are either non-existent, uneconomical, or inadequate. The nature of the travel requires a high degree of mobility with frequent stops at field offices, job sites, and other places not serviced by common carrier. Resident technicians servicing farmers and ranchers in conservation districts use pickup trucks rather than passenger vehicles.

Passenger motor vehicles are generally assigned to an office location and not exclusively to one individual. This allows several employees to rely on the use of a single vehicle, thus maximizing utilization, and minimizing the number of vehicles needed.

On September 30, 1986, the Soil Conservation Service had 2,029 passenger vehicles in a total fleet of 10,551 vehicles. The fleet includes pickup trucks, sedan deliveries (light trucks), jeeps, and heavy trucks.

Replacement of Passenger Motor Vehicles. Vehicles proposed for replacement are driven more than 60,000 miles or are more than 6 years of age or would be beyond economic repair due to accident or other causes. Normally, SCS would dispose of and replace about 400 vehicles per year. However, due to the proposed budget and personnel reduction for FY 1988, the estimates do not provide for the replacement of passenger motor vehicles in FY 1988.

SCS is continuing a sound and effective replacement program. During fiscal year 1986, 127 replacements were purchased. Economy of operation and expected use factors are taken into consideration as well as prescribed age and mileage standards in planning replacements.

Age and mileage data for Soil Conservation Service passenger motor vehicles on hand September 30, 1986, are as follows:

<u>Model</u>	<u>Number of Vehicles</u>	<u>Percent of Total</u>	<u>Lifetime Mileage (Thousands)</u>	<u>Number of Vehicles</u>	<u>Percent of Total</u>
1978 and older	336	16.6	60 to over 100	571	28.1
1979	141	6.9	50-59	322	15.9
1980	285	14.1	40-49	291	14.3
1981	352	17.3	30-39	245	12.1
1982	87	4.3	20-29	232	11.4
1983	263	13.0	10-19	214	10.5
1984	269	13.2	1-9	131	6.5
1985	169	8.3	Under 1	23	1.2
1986	127	6.3			
TOTAL	2,029	100.0		2,029	100.0

RURAL ELECTRIFICATION ADMINISTRATION

Purpose StatementRural Electrification Administration

The Rural Electrification Administration (REA) was established by Executive Order 7037 on May 11, 1935, to provide loan funds to eligible borrowers for the purpose of extending central station electric service to unserved persons in rural areas. Statutory provision for the agency was made in the Rural Electrification (RE) Act of May 20, 1936; and on July 1, 1939, under Reorganization Plan II, REA became a part of the Department of Agriculture. On October 28, 1949, the purpose of REA was expanded by Public Law 423, which amended the Act to authorize loans for furnishing telephone service to rural areas.

Public Law 93-32, enacted May 11, 1973, amended the Rural Electrification Act of 1936, as amended, by establishing a "Rural Electrification and Telephone Revolving Fund" (RETRF) for the purpose of making insured loans to REA electric and telephone borrowers. Loans made under this authority bear either 2 or 5 percent interest in accordance with criteria specified in the Act, and have a maturity not to exceed 35 years. The Act also authorized REA to guarantee loans made by other lenders at rates and terms agreed upon between the lender and the borrower. The Rural Electrification and Telephone Revolving Fund legislation contains the following statement of Congressional intent regarding the REA programs:

... it is hereby declared to be the policy of the Congress that adequate funds should be made available to rural electric and telephone systems through direct, insured and guaranteed loans at interest rates which will allow them to achieve the objectives of the Rural Electrification Act of 1936, as amended; and that such rural electric and telephone systems should be encouraged and assisted to develop their resources and ability to achieve the financial strength needed to enable them to satisfy their credit needs from their own financial organizations and other sources at reasonable rates and terms consistent with the loan applicant's ability to pay and achievement of the Act's objectives.

In October 1976, Public Law 94-570 amended the Act, changing the statutory criteria used in determining eligibility for the special interest rate (2 percent) insured loans. The change in criteria corrected unintended inequities resulting from P.L. 93-32, to bring the number of borrowers eligible for the special rate more in line with Congressional intent and with borrowers' actual needs for loan funds at this rate.

On August 13, 1981, the Omnibus Budget Reconciliation Act, Public Law 97-35, was signed into law to further amend the RE Act. This legislation changed the Act by eliminating the special 2 percent interest rate on insured loans from the RETRF. It did provide, however, that the Administrator may make insured loans at a rate less than 5 percent, but not less than 2 percent, if the borrower has experienced extreme financial hardship, or cannot provide service consistent with the objectives of the Act without charging rates so high that a substantial disparity results between such rates and those charged for similar services in the same or nearby areas by other suppliers.

As of September 30, 1986, REA employed a total of 535 full-time permanent employees, 3 part-time permanent employees, and 11 other employees. The field staff consisted of 123 permanent full-time employees located throughout the United States. These employees utilize their homes as their offices. REA maintains no field offices. The Washington staff was composed of 412 full-time permanent, 3 part-time permanent employees and 11 other employees.

Rural Telephone Bank

Public Law 92-12, approved May 7, 1971, amended the Rural Electrification Act of 1936, as amended, to establish the Rural Telephone Bank as a supplemental source of financing for the growing capital needs of rural telephone systems. Public Law 92-324, approved June 30, 1972, further amended the Act to permit the Secretary of the Treasury to purchase the Bank's debentures.

Public Law 93-32 made additional amendments to the Act and provided for Bank borrowing authority of 20 times its paid-in capital and retained earnings. It also required that the Bank charge a single interest rate, based on the average cost of money to the Bank, but not less than 5 percent per annum. Bank loans must be fully amortized over a period not to exceed 50 years. Most loans have been made for a 35-year period.

The Rural Telephone Bank is managed by a 13-member board of directors. The Administrator of REA serves as Governor of the Bank until conversion to private ownership, control, and operation, which will take place when 51 percent of the Class A Stock issued to the United States and outstanding at any time after September 30, 1995, has been fully redeemed and retired. The Bank board holds at least four regularly scheduled meetings a year. Activities of the Bank are carried out by REA and the Office of the General Counsel employees.

Through fiscal year 1986, \$448.5 million in Bank capitalization had been made available through the purchase by the United States of the Rural Telephone Bank's Class A Stock. Although the RE Act had originally set the maximum Government contribution at \$300 million, the Farm Bill of 1981 amended the RE Act to permit continued Class A stock purchases in annual amounts not to exceed \$30 million, through fiscal year 1991, with total purchases not to exceed \$600 million.

Rural Communication Development Fund

The Rural Development Insurance Fund (RDIF) was established on October 1, 1972, pursuant to section 116 of the Rural Development Act of 1972 (Public Law 92-419) approved August 30, 1972. The Rural Communication Development Fund (RCDF), a separate account of the RDIF, was established pursuant to Secretary's Memorandum No. 1988 approved May 22, 1979. This action transferred certain financing authorities under the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) from the Farmers Home Administration (FmHA) to the Rural Electrification Administration for the purpose of financing the construction of community antenna television services or facilities in rural areas. The RCDF was set up to insure or guarantee loans for community antenna television services or facilities to both cooperatives and commercial borrowers. The program was authorized to utilize the Community Facility authority and the Business and Industrial authorities of the Rural Development Act of 1972.

During fiscal years 1979 and 1980, loan guarantees and administrative costs were funded from amounts authorized for or originally appropriated to FmHA. Since fiscal year 1980, all applicable administrative costs have been provided for in the REA Salaries and Expenses appropriation. Loan authority made available is provided for separately under the Rural Communication Development Fund.

In 1981, it was determined that sufficient capital was available from private investors and that the activity could be more appropriately financed by the private sector. REA continues to administer the existing program by making advances on previous loans and performing debt servicing. The last loan approved or guaranteed under this authority was in fiscal year 1981.

RURAL ELECTRIFICATION ADMINISTRATION

Available Funds and Staff-Years1986 Actual and Estimated, 1987 and 1988

Item	1986		1987 a/		1988	
	Actual	Staff:	Estimated	Staff:	Estimated	Staff:
	Amount	Years	Amount	Years	Amount	Years
<u>Loan authorizations:</u>						
Rural electrification:						
Insured loans	\$ 651,933,000	--	\$ 436,762,000	--	\$ 258,000,000	--
Loan guarantees, FFB	1,167,512,000	--	372,112,000	--	-0-	--
Total, electric loans	1,819,445,000	--	808,874,000	--	258,000,000	--
Rural telephone:						
Insured loans	183,340,000	--	104,812,000	--	32,000,000	--
Loan guarantees, FFB	---	--	29,906,000	--	-0-	--
Total, telephone loans	183,340,000	--	134,718,000	--	32,000,000	--
Rural Telephone Bank Loans ...	127,896,825	--	148,511,000	--	93,000,000	--
Total, REA & RTB Loan Authorizations	2,130,681,825	--	1,092,103,000	--	383,000,000	--
<u>Appropriated Funds:</u>						
Salaries and expenses	29,479,000	560	29,447,000	532	27,244,000	500
Reimbursement to the revolving fund for interest subsidies and losses	99,400,000	--	---	--	--	--
Purchase of Capital Stock ...	28,530,000	--	28,710,000	--	--	--
Total, Appropriated Funds	157,409,000	560	58,157,000	532	27,244,000	500
<u>Other Federal Funds:</u>						
Miscellaneous reimbursements..	1,388	--	---	--	--	--
Federal Financing Bank	206,378	6	100,000	3	--	--
Total, Other Federal Funds ..	207,766	6	100,000	3	--	--
Total, Rural Electrification Administration, Rural Telephone Bank	2,288,298,591	566	1,150,360,000	535	410,244,000	500
Full-time Equivalent Staff-Years Ceiling	1986 Actual		1987 Estimated		1988 Estimated	
Non-Ceiling	566		535		500	
Total	566		535		500	

a/ Reflects the effects of a proposed supplemental which has been submitted to Congress to reduce loan authority by \$879 million.

RURAL ELECTRIFICATION ADMINISTRATION
Permanent Positions by Grade and Staff-Year Summary

1986 and Estimated 1987 and 1988

Grade	1986			1987			1988		
	Headquarters	Field	Total	Headquarter	Field	Total	Headquarters	Field	Total
Executive Level V	1	--	1	1	--	1	1	--	1
ES-4	2	--	2	2	--	2	2	--	2
ES-3	3	--	3	2	--	2	2	--	2
GS/GM-15	15	--	15	14	--	14	12	--	12
GS/GM-14	50	1	51	49	--	49	47	--	47
GS/GM-13	105	93	198	87	109	196	81	109	190
GS-12	59	8	67	57	8	65	54	8	62
GS-11	34	2	36	31	4	35	29	4	33
GS-10	1	--	1	1	--	1	1	--	1
GS-9	23	5	28	24	2	26	18	2	20
GS-8	7	--	7	6	--	6	4	--	4
GS-7	39	--	39	36	2	38	34	2	36
GS-6	43	--	43	42	--	42	40	--	40
GS-5	15	--	15	14	--	14	12	--	12
GS-4	18	--	18	18	--	18	16	--	16
GS-3	16	--	16	18	--	18	16	--	16
GS-2	1	--	1	7	--	7	5	--	5
GS-1	8	--	8	--	--	--	--	--	--
Ungraded Positions	1	--	1	1	--	1	1	--	1
Total Permanent Positions.....	441	109	550	410	125	535	375	125	500
Staff-Years:									
Ceiling.....	441	125	566	410	125	535	375	125	500
Non-Ceiling.....	--	--	--	--	--	--	--	--	--
TOTAL.....	441	125	566	410	125	535	375	125	500

RURAL ELECTRIFICATION ADMINISTRATION

CLASSIFICATION BY OBJECTS1986 and Estimated 1987 and 1988

	<u>1986</u>	<u>1987</u>	<u>1988</u>
Personnel Compensation:			
Headquarters.....	\$16,429,151	\$15,627,907	\$15,068,250
Field.....	<u>4,085,518</u>	<u>4,795,093</u>	<u>5,022,750</u>
11 Total personnel compensation.....	20,514,669	20,423,000	20,091,000
12 Personnel benefits.....	2,559,776	2,604,000	2,323,000
13 Benefits to Former Personnel.....	<u>5,706</u>	<u>8,000</u>	<u>7,000</u>
Total, Personnel Compensation and Benefits....	<u>23,080,151</u>	<u>23,035,000</u>	<u>22,421,000</u>
Other Objects:			
21 Travel.....	1,792,913	2,074,000	1,652,000
22 Transportation of things.....	44,847	45,000	60,000
23.2 Communications, Utilities and Other Rent..	665,244	1,005,000	1,072,000
24 Printing and reproduction.....	225,654	385,000	360,000
25 Other services.....	926,399	2,135,000	1,274,000
26 Supplies and materials.	169,277	389,000	223,000
31 Equipment.....	196,887	379,000	182,000
44 Refunds and Adjustments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Other Objects....	<u>4,021,221</u>	<u>6,412,000</u>	<u>4,823,000</u>
Total Direct Obligations...	<u>27,101,372</u>	<u>29,447,000</u>	<u>27,244,000</u>
<u>Position Data:</u>			
Average Salary, ES positions.....	\$67,466	\$69,700	\$69,700
Average Salary, GS positions.....	\$37,150	\$38,065	\$39,884
Average Grade, GS positions.....	10.61	10.63	10.73

RURAL ELECTRIFICATION ADMINISTRATION

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets; new material underscored):

RURAL ELECTRIFICATION AND TELEPHONE REVOLVING FUND LOAN AUTHORIZATIONS

To carry into effect the provisions of the Rural Electrification Act of 1936, as amended (7 U.S.C. 901-950 (b)), as follows:

[Insured loans pursuant to the authority of section 305 of the Rural Electrification Act of 1936, as amended (7 U.S.C. 935), shall be made as follows: rural electrification loans, not less than \$622,050,000 nor more than \$933,075,000; and rural telephone loans, not less than \$239,250,000 nor more than \$311,025,000; to remain available until expended: Provided, That loans made pursuant to section 306 of that Act are in addition to these amounts but during 1987 total commitments to guarantee loans pursuant to section 306 shall be not less than \$933,075,000 nor more than \$2,100,165,000 of contingent liability for total loan principal: Provided further, That as a condition of approval of insured electric loans during fiscal year 1987, borrowers shall obtain concurrent supplemental financing in accordance with the applicable criteria and ratios in effect as of July 15, 1982: Provided further, That no funds appropriated in this Act may be used to deny or reduce loans or loan advances based upon a borrower's level of general funds.]

During fiscal year 1988 and within the resources and authority available, gross obligations for the principal amount of direct loans pursuant to the authority of section 305 of the Rural Electrification Act of 1936, as amended (7 U.S.C. 935), shall not exceed \$290,000,000: Provided, That rural electrification loans shall not exceed \$258,000,000 and rural telephone loans shall not exceed \$32,000,000.

This change in the 1988 appropriation language eliminates the range for insured electric and telephone loans and eliminates guarantee of FFB loans. It establishes new limitations for the loan programs.

DEPARTMENTAL OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION
Rural Electrification and Telephone Revolving Fund

LOAN AUTHORIZATIONS - CURRENT LAW

	<u>Loan Authorizations</u>	<u>Estimated Obligations for Loans, Loan Guarantee Commitments, and Interest Expense</u>
<u>Electrification Loans:</u>		
<u>Insured Loan Program:</u>		
Appropriation Act, 1987 a/	\$622,050,000	\$838,848,000
Budget Estimate, 1988 b/.....	258,000,000	475,589,000
Change	<u>-364,050,000</u>	<u>-363,259,000</u>
 <u>Loan Guarantees, FFB:</u>		
Appropriation Act, 1987 a/	813,450,000	813,450,000
Budget Estimate, 1988 b/.....	-0-	-0-
Change	<u>-813,450,000</u>	<u>-813,450,000</u>
Decrease From 1987	<u>-1,177,500,000</u>	<u>-1,176,709,000</u>
 <u>Adjustments in 1987</u>		
<u>Insured Loan Program:</u>		
Appropriation Act, 1987	622,050,000	838,848,000
1987 Proposed Supplemental	-185,288,000	-185,288,000
Adjusted base for 1987	436,762,000	653,560,000
Budget Estimate, Current Law, 1988	258,000,000	475,589,000
Decrease over adjusted 1987	<u>-178,762,000</u>	<u>-177,971,000</u>
 <u>Adjustments in 1987</u>		
<u>Loan Guarantees, FFB:</u>		
Appropriation Act, 1987	813,450,000	813,450,000
1987 Proposed Supplemental	-441,338,000	-441,338,000
Adjusted base for 1987	372,112,000	372,112,000
Budget Estimate, Current Law, 1988	-0-	-0-
Decrease over adjusted 1987	<u>-372,112,000</u>	<u>-372,112,000</u>
Decrease from 1987	<u>550,874,000</u>	<u>550,083,000</u>
 <u>Telephone Loans:</u>		
<u>Insured Loan Program:</u>		
Appropriation Act, 1987 a/	239,250,000	280,545,000
Budget Estimate, 1988 b/.....	32,000,000	73,496,000
Change	<u>-207,250,000</u>	<u>-207,049,000</u>
 <u>Loan Guarantees, FFB:</u>		
Appropriation Act, 1987 a/	119,625,000	119,625,000
Budget Estimate, 1988 b/.....	-0-	-0-
Change	<u>-119,625,000</u>	<u>-119,625,000</u>
Decrease From 1987	<u>-326,875,000</u>	<u>-326,674,000</u>
 <u>Adjustments in 1987</u>		
<u>Insured Loan Program:</u>		
Appropriation Act, 1987	239,250,000	280,545,000
1987 Proposed Supplemental	-134,438,000	-134,438,000
Adjusted base for 1987	104,812,000	146,107,000
Budget estimate, Current Law, 1988	32,000,000	73,496,000
Decrease over adjusted 1987	<u>-72,812,000</u>	<u>-72,611,000</u>

Adjustments in 1987

Loan Guarantees, FFB:

Appropriation Act, 1987	119,625,000	119,625,000
1987 Proposed Supplemental	-89,719,000	-89,719,000
Adjusted base for 1987	<u>29,906,000</u>	<u>29,906,000</u>
Budget Estimate, Current Law, 1988	-0-	-0-
Decrease over adjusted 1987	<u>-29,906,000</u>	<u>-29,906,000</u>
Decrease from 1987	<u><u>102,718,000</u></u>	<u><u>102,517,000</u></u>

- a/ A regular 1987 appropriation for this account had not been enacted at the time this budget was prepared. A continuing resolution (Public Law 99-500 and Public Law 99-591) provides funds through September 30, 1987.
- b/ The 1988 Budget proposes \$258,000,000 for insured electric loans and \$32,000,000 for insured telephone loans. These estimates do not reflect legislation proposed for later transmittal to increase interest rates to borrowers of insured loans to the cost of borrowing to the Treasury plus 1/8 percent and to shift from direct REA loans and guarantee of FFB loans to 70 percent guarantee of the principal made by private sector. The amounts estimated to be guaranteed are \$766,000,000 for electric loans and \$74,000,000 for telephone loans. Direct loans will be maintained during the transition period and the new program phased in by 1990.

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of loan authorizations)

	<u>1987 Estimated</u>	<u>Change</u>	<u>1988 Estimated</u>
Rural Electrification Program:			
Insured loans	\$ 436,762,000	-\$178,762,000	\$258,000,000
Loan guarantees, FFB	372,112,000	-372,112,000	-0-
Total	<u>808,874,000</u>	<u>-550,874,000</u>	<u>258,000,000</u>
Rural Telephone Program:			
Insured loans	104,812,000	-72,812,000	32,000,000
Loan guarantees, FFB	29,906,000	-29,906,000	-0-
Total	<u>134,718,000</u>	<u>-102,718,000</u>	<u>32,000,000</u>
TOTAL LOAN AUTHORIZATION - ADJUSTED FOR PROPOSED SUPPLEMENTAL	<u>943,592,000</u>	<u>-653,592,000</u>	<u>290,000,000</u>
Proposed Supplemental: a/ Rural Electrification Program:			
Insured loans	185,288,000	-185,288,000	-0-
Loan guarantees, FFB	441,338,000	-441,338,000	-0-
Total	<u>626,626,000</u>	<u>-626,626,000</u>	<u>-0-</u>
Rural Telephone Program:			
Insured loans	134,438,000	-134,438,000	-0-
Loan guarantees, FFB	89,719,000	-89,719,000	-0-
Total	<u>224,157,000</u>	<u>-224,157,000</u>	<u>-0-</u>
TOTAL, PROPOSED SUPPLEMENTAL	<u>850,783,000</u>	<u>-850,783,000</u>	<u>-0-</u>
TOTAL, LOAN AUTHORIZATION	<u>1,794,375,000</u>	<u>-1,504,375,000</u>	<u>290,000,000</u>

a/ A proposed supplemental has been submitted to Congress to reduce loan authority by \$851 million.

PROJECT STATEMENT - CURRENT LAW
(On basis of loan authorizations)

Project	1986 Actual	1987 (Estimated) a/	Increase or Decrease (-)	1988 (Estimated)
1. Rural Electrifi- cation loans:				
Insured loans ...	\$ 622,050,000	\$ 436,762,000	-\$178,762,000	\$ 258,000,000
Loan				
guarantees, FFB	813,450,000	372,112,000	-372,112,000	-0-
Total	1,435,500,000	808,874,000	-550,874,000	258,000,000
2. Rural telephone loans:				
Insured loans ...	239,250,000	104,812,000	-72,812,000	32,000,000
Loan				
guarantees, FFB	119,625,000	29,906,000	-29,906,000	-0-
Total	358,875,000	134,718,000	-102,718,000	32,000,000
TOTAL LOAN AUTHORIZATION - ADJUSTED FOR PROPOSED SUPPLEMENTAL	1,794,375,000	943,592,000	-653,592,000	290,000,000
Proposed Supplemental a/				
Rural Electrification Loans:				
Insured loans	-0-	185,288,000	-185,288,000	-0-
Loan guarantees, FFB	-0-	441,338,000	-441,338,000	-0-
Total	-0-	626,626,000	-626,626,000	-0-
Rural telephone loans:				
Insured loans	-0-	134,438,000	-134,438,000	-0-
Loan guarantees, FFB	-0-	89,719,000	-89,719,000	-0-
Total	-0-	224,157,000	-224,157,000	-0-
TOTAL PROPOSED SUPPLEMENTAL	-0-	850,783,000	-850,783,000	-0-
TOTAL, LOAN AUTHORIZATION	1,794,375,000	1,794,375,000	-1,504,375,000	290,000,000

a/ A proposed supplemental has been submitted to Congress to reduce loan authority by \$851 million.

PROJECT STATEMENT - CURRENT LAW

(On basis of actual or estimated obligations for loans and interest expense)

Project	1986 Actual	1987 (Estimated)	Increase or Decrease (-)	1988 (Estimated)
1. Rural electrifi- cation loans:				
Interest expense	\$ 243,741,946	\$ 216,798,000	+\$ 791,000 (1)	\$ 217,589,000
Insured loans ...	651,933,000	436,762,000	-178,762,000 (2)	258,000,000
Loan guarantees, FFB	1,167,512,000	372,112,000	-372,112,000 (3)	-0-
Total	2,063,186,946	1,025,672,000	-550,083,000	475,589,000
2. Rural telephone loans:				
Interest expense	47,201,308	41,295,000	+201,000 (4)	41,496,000
Insured loans ..	183,340,000	104,812,000	-72,812,000 (5)	32,000,000
Loan guarantees, FFB	-0-	29,906,000	-29,906,000 (6)	-0-
Total	230,541,308	176,013,000	-102,517,000	73,496,000
TOTAL ESTIMATED OBLIGATIONS	2,293,728,254	1,201,685,000	-652,600,000	549,085,000
Proposed Supplemental a/ Rural Electric Program:				
Insured loans	-0-	185,288,000	-185,288,000	-0-
Loan guarantees, FFB	-0-	441,338,000	-441,338,000	-0-
Total	-0-	626,626,000	-626,626,000	-0-
Rural Telephone Program:				
Insured loans	-0-	134,438,000	-134,438,000	-0-
Loan guarantees, FFB	-0-	89,719,000	-89,719,000	-0-
Total	-0-	224,157,000	-224,157,000	-0-
TOTAL PROPOSED SUPPLEMENTAL	-0-	850,783,000	-850,783,000	-0-
TOTAL, ESTIMATED AUTHORIZATION	2,293,728,254	2,052,468,000	-1,503,383,000	549,085,000

a/ A proposed supplemental has been submitted to Congress to reduce loan authority by \$851 million.

EXPLANATION OF ELECTRIC AND TELEPHONE LOAN PROGRAM

The loan authorizations of the Rural Electrification Administration are used to carry out the provisions of the Rural Electrification Act of 1936, as amended. The objectives of the program are to assure that rural communities have access to reliable electric and telephone services. REA conducts two loan programs: (1) The rural electrification program, which provides central station electric service to farms and other rural establishments; and (2) the rural telephone program, which furnishes and improves telephone service in rural areas.

Legislation will be proposed to replace the costly direct REA loans and guarantee of FFB loans with a new and less costly program of REA guarantee of 70 percent of principal of private sector loans. This change would be phased in through the FY 1990 with some direct loans being maintained during the transition period. Interest rates on direct loans would be increased from 5 percent to Treasury's cost plus 1/8 percent. The interest rate on hardship loans would be increased from 2 percent to 5 percent. Legislation will also be proposed to discontinue lending assistance to: electric and telephone borrowers serving largely urban/suburban areas; borrowers for the purpose of providing service to recreation areas; and telephone borrowers who are subsidiaries of large holding companies.

Electrification Program Statistics
(Dollars in thousands)

	Cumulative Thru FY 1986 Actual	Cumulative Estimates	
		FY 1987	FY 1988
Net loans	\$19,249,603	\$19,944,453	\$20,202,453
Fund advances	17,691,652	18,376,847	18,906,847
Unadvanced funds, end of year	1,557,951	1,567,606	1,295,606
Principal repaid	6,032,975	6,559,054	6,918,519
Interest paid 1/	4,854,392	5,330,793	5,829,017
Loan guarantee commitments	30,980,392	31,352,504	31,352,504
Consumers served-calendar year(thousand-estimated) 2/	11,470	11,797	12,124
Miles energized-calendar year(thousand-estimated) 2/	2,125	2,147	2,170
Number of borrowers.....	993	994	996

Telephone Program Statistics
(Dollars in thousands)

	Cumulative Thru FY 1986 Actual	Cumulative Estimates	
		FY 1987	FY 1988
Net loans	\$5,109,951	\$5,317,790	\$5,422,602
Fund advances	4,328,619	4,543,424	4,729,424
Unadvanced funds, end of period	781,332	774,366	693,178
Principal repaid	1,341,826	1,472,147	1,605,582
Interest paid 1/.....	1,080,206	1,184,505	1,293,581
Loan guarantee commitments	679,454	709,360	709,360
Route miles of line constructed or improved-(thousand-estimated) 3/.....	898	915	932
Dial subscribers, new and improved service-calendar year (thousands-estimated) 3/.....	4,928	5,032	5,135
Number of borrowers.....	1,009	1,014	1,019

See footnotes, next page.

- 1/ Includes interest received by REA as trustee for holders of certificates of beneficial ownership.
- 2/ Data represents accomplishments from all sources of funds.
- 3/ Data represents accomplishments from borrowers financed 20% or more by REA, RTB, and guaranteed loans.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of \$791,000 to cover interest expenses of the Rural Electrification and Telephone Revolving Fund (RETRF) applicable to the electric program (\$216,798,000 estimated in 1987).

Need for change. Advances made to borrowers from the revolving fund in excess of principal repayments and interest receipts are covered on an interim basis by REA borrowings from the Treasury. On March 31 and September 30 of each year, Certificates of Beneficial Ownership (CBO's) are sold in an amount necessary to repay the interim borrowings, plus an amount to cover interest accrued on these borrowings and on the balance of the CBO's outstanding at the beginning of the period. The interest expense applicable to the interim borrowings and the CBO's outstanding are expenses of the revolving fund. Interest expense to the electric loan program is estimated at \$216.8 million in fiscal year 1987, and \$217.6 million in 1988.

Nature of change. This results in additional sales of assets of the RETRF and no increase in budget authority or outlays.

(2) A decrease of \$178,762,000 in insured electric loans from the RETRF (\$436,762,000 estimated in 1987).

Need for change. This reduction is made in conjunction with the Administration's economic and budget control plan which will reduce Federal involvement in general credit activities and limit economic subsidies to recipients that can borrow privately. The original goals of the REA statute have been accomplished in that 99 percent of all rural areas now have electric service. Today, a significant portion of the subsidized loans are used to subsidize electric service in urban and suburban areas and to provide service in exclusive recreation areas.

Nature of change. While the level of insured loans will be reduced, most REA borrowers can obtain financing from REA guarantees of 70 percent of principal of privately originated loans.

(3) A decrease of \$372,112,000 in electric loan guarantee commitments (\$372,112,000 estimated in 1987).

Need for change. This reduction is made in conjunction with the Administration's economic and budget control plan which will reduce Federal involvement in general credit activities and to limit credit assistance where borrowers can obtain credit in private markets.

Nature of change. The level of REA loan guarantee commitments is reduced to reflect the administration proposal to shift to a guarantee of private sector loans with a 70 percent REA guarantee of principal value. (See proposed legislation page 13).

(4) An increase of \$201,000 to cover interest expenses of the RETRF applicable to the telephone program (\$41,295,000 estimated in 1987).

Need for change. Advances made to borrowers from the revolving fund in excess of principal repayments and interest receipts are covered on an interim basis by REA borrowings from the Treasury. On March 31 and September 30 of each year Certificates of Beneficial Ownership (CBO's) are sold in an amount necessary to repay the interim borrowings, plus an amount to cover interest accrued on these borrowings and on the balance of CBO's outstanding at the beginning of the period. The interest expense applicable to the interim borrowings and the CBO's outstanding are expenses of the revolving fund. Interest expense to the telephone program is estimated at \$41.3 million in fiscal year 1987, and \$41.5 million in 1988.

Nature of change. This results in additional sales of assets of the RETRF, therefore there is no increase in budget authority or outlays.

(5) A decrease of \$72,812,000 in insured telephone loans from the RETRF (\$104,812,000 estimated in 1987).

Need for change. This reduction is made in conjunction with the Administration's economic and budget control plan which will reduce Federal involvement in general credit activities. The original goals of the REA statute have been accomplished in that 96 percent of all rural areas now have telephone service. Today, a significant portion of the subsidized telephone loans are used to subsidize telephone borrowers who are subsidiaries of multi-billion and multi-million dollar holding companies and borrowers serving largely urban/suburban areas.

Nature of change. While the level of insured loans will be reduced, REA borrowers can increase the portion of their total financing from REA guarantees of 70 percent of principal of privately originated loans.

(6) A decrease of \$29,906,000 in telephone loan guarantee commitments (\$29,906,000 estimated in 1987).

Need for change. This reduction is made in conjunction with the Administration's economic and budget control plan which will reduce Federal involvement in general credit activities and limit economic subsidies to recipients which have the greatest need. This also reflects the currently reduced level of demand for telephone loan guarantees.

Nature of change. The level of REA loan guarantee commitments is reduced to reflect the administration's proposal to shift to a guarantee of private sector loans with a 70 percent REA guarantee of principal value. (See proposed legislation page 13). Borrowers receiving these loans are subsidiaries of large multi-million dollar in sales holding companies who can routinely borrow in private markets.

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

<u>Item of Change</u>	1988		
	<u>Current Law</u>	<u>Program Change</u>	<u>President's Request</u>
Rural Electrification Program:			
Insured loans	\$258,000,000	-0-	\$258,000,000
Loan guarantees, FFB	-0-	-0-	-0-
Loan guarantees, private sector	-0-	+\$766,000,000	766,000,000
Total	<u>258,000,000</u>	<u>+ 766,000,000</u>	<u>1,024,000,000</u>
Rural Telephone Program:			
Insured loans	32,000,000	-0-	32,000,000
Loan guarantees, FFB	-0-	-0-	-0-
Loan guarantees, private sector	-0-	+74,000,000	74,000,000
Total	<u>32,000,000</u>	<u>+74,000,000</u>	<u>106,000,000</u>
Total, loans authorizations	<u>290,000,000</u>	<u>+840,000,000</u>	<u>1,130,000,000</u>

Explanation of Proposed Legislation

The Rural Electrification Administration has been providing a 100 percent guarantee of FFB loans to electric and telephone borrowers. This proposal would replace REA direct loans and REA guarantees of FFB loans with REA guarantees of private sector loans. REA guarantee commitment would be reduced to 70 percent of principal value. Private sector loans will increase in the outyears and replace direct loans which would be phased out by 1990.

Interest rates on direct loans would be increased from 5 percent to the cost of Treasury borrowing plus 1/8 percent beginning in FY 1988. The interest rate on hardship loans would be increased from 2 percent to 5 percent.

This proposal would provide those REA borrowers with the greatest financial need access to private sector credit sources and permit the Government to discontinue its involvement as a direct source of credit by 1990. Borrowers largely serving urban/suburban areas would be eliminated from the programs as well as telephone borrowers who are subsidiaries of larger telephone holding companies. No loans would be available for the purpose of expanding or providing electric or telephone service to predominately recreational areas.

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Number and Amount of REA Direct Electrification and
Telephone Loans by State, Fiscal Year 1986

<u>STATES</u>	<u>ELECTRIFICATION LOANS</u>		<u>TELEPHONE LOANS</u>	
	<u>NO.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>
UNITED STATES	167	\$651,933,000	80	\$183,340,000
Alabama	2	2,112,000	1	380,000
Alaska	3	26,233,000	1	1,304,000
Arizona	4	25,496,000		
Arkansas	3	16,644,000	3	7,214,000
California			1	657,000
Colorado	4	40,144,000		
Florida	8	92,580,000		
Georgia	14	62,678,000	2	7,156,000
Idaho	2	1,124,000	1	2,937,000
Illinois	2	2,474,000		
Indiana	4	5,205,000		
Iowa	5	6,226,000	9	6,590,000
Kansas	3	3,817,000	6	23,916,000
Kentucky	14	29,269,000		
Louisiana	1	3,517,000	1	4,087,000
Maine			2	984,000
Maryland	1	13,300,000		
Michigan	3	4,085,000	2	3,426,000
Minnesota	9	14,308,000	8	15,367,000
Mississippi	4	12,919,000	4	7,985,000
Missouri	7	40,294,000	1	1,490,000
Montana	2	6,836,000		
Nebraska			2	1,820,000
New Hampshire	1	7,155,000		
New Mexico	9	19,751,000	2	2,305,000
New York	1	928,000		
North Carolina	4	16,673,000	2	6,142,000
North Dakota	7	29,687,000	3	9,349,000
Ohio	3	4,457,000	1	629,000
Oklahoma	5	24,361,000	1	1,805,000
Oregon			2	3,865,000
Pennsylvania	3	5,723,000		
South Carolina	3	9,949,000		
South Dakota	4	5,222,000	6	13,240,000
Tennessee	7	22,031,000	4	34,565,000
Texas	14	65,096,000	8	17,442,000
Vermont	1	1,012,000		
Virginia	4	22,050,000		
Washington	2	2,661,000		
West Virginia	1	700,000	1	1,152,000
Wisconsin	3	5,216,000	6	7,533,000

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Number and Amount of REA Loan Guarantee Commitments,
Electrification and Telephone, Fiscal Year 1986

STATES

	<u>ELECTRIC GUARANTEE</u>		<u>TELEPHONE GUARANTEE</u>	
	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>
UNITED STATES	10	\$1,167,512,000	0	0
Alaska	2	40,266,000		
Georgia	1	721,000,000		
Louisiana	1	200,000,000		
Mississippi	1	63,357,000		
Missouri	1	9,591,000		
Nevada	1	1,689,000		
Texas	2	45,109,000		
Utah	1	86,500,000		

RURAL ELECTRIFICATION ADMINISTRATION

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets; new material underscored):

Reimbursement to the Rural Electrification and Telephone Revolving Fund

[For an additional amount to reimburse the rural electrification and telephone revolving fund for interest subsidies and losses sustained in prior years, but not previously reimbursed in carrying out the provisions of the Rural Electrification Act of 1936, as amended (7 U.S.C. 901-950(b)), \$20,000,000.]

The change proposes deletion of the language authorizing reimbursement to the Rural Electrification and Telephone Revolving Fund for interest subsidies and losses. Since no appropriation is requested in fiscal year 1988, retention of the language is unnecessary.

DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION AGRICULTURE
RURAL ELECTRIC AND TELEPHONE REVOLVING FUND

Reimbursement for Interest Subsidies and Losses

Appropriation Act, 1987.....	\$20,000,000
Budget Estimate, 1988.....	-0-
Decrease in Appropriation.....	<u>-20,000,000</u>
Adjustment in 1987	
Appropriation Act, 1987	\$20,000,000
Transfer for increased pay and retirement costs	-20,000,000
Adjusted base for 1987	-0-
Budget estimated, 1988	-0-
Change over adjusted 1987	<u>-0-</u>

PROJECT STATEMENT
(on Basis of Appropriation)
(In Thousands of Dollars)

	1986	1987	1988
Project	Actual	Estimated	Decrease Estimated
Reimbursement to			
the revolving fund :			
for interest subsi-			
dies and losses :	\$99,400,000	--	--

EXPLANATION OF PROGRAM

This account reimburses the Rural Electrification and Telephone Revolving Fund for interest subsidies and losses sustained in carrying out the provisions of the Rural Electrification Act of 1936, as amended. The fund has never incurred a loss since its inception in 1973. No appropriation is requested for fiscal year 1988.

RURAL ELECTRIFICATION ADMINISTRATION

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets; new material underscored):

Rural Telephone Bank

- The Rural Telephone Bank is hereby authorized to make such expenditures, within the limits of funds and borrowing authority available to such corporation in accord with law, and to make such contracts and commitments without regard to fiscal year limitations as provided by Section 104 of the Government Corporation Control Act, as amended, as may be necessary in carrying out its authorized programs for the current
- 1 fiscal year. During [1987] 1988, and within the resources and authority available, gross obligations for the principal amount of direct loans
 - 2 shall be not [less than \$177,045,000 nor] more than [\$210,540,000] \$93,000,000.

The first change updates the fiscal year designation of the limitation on new loans for this program established as a part of the Federal Credit Controls.

The second change eliminates the range for the loan program and establishes the maximum loan program at \$93,000,000.

DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

RURAL TELEPHONE BANK

	<u>Estimated Obligations</u>	<u>Other Authorizations (Borrowing Authority) a/</u>
Appropriation Act, 1987	\$253,940,000	\$ 97,408,000
Budget Estimate, 1988	<u>170,337,000</u>	<u>--</u>
Change	<u>-83,603,000</u>	<u>-97,408,000</u>
Adjustments in 1987		
Appropriation Act, 1987...	\$253,940,000	\$ 97,408,000
1987 Proposed Supplemental	<u>-28,534,000</u>	<u>-28,534,000</u>
Adjusted base for 1987	<u>225,406,000</u>	<u>68,874,000</u>
Budget Estimate, 1988.....	<u>170,337,000</u>	<u>--</u>
Decrease over Adjusted 1987	<u>-55,069,000</u>	<u>-68,874,000</u>

a/ Reflects estimated borrowing authority encumbered.

SUMMARY OF INCREASES AND DECREASES
(On basis of obligations)

	<u>1987 Estimate</u>	<u>Program Changes</u>	<u>1988 Estimate</u>
Operating Cost:			
Administrative expenses	\$ 75,000	--	\$ 75,000
Interest expenses.....	76,682,000	+\$442,000	77,124,000
Dividends.....	138,000	--	138,000
Loan authority.....	<u>148,511,000</u>	<u>-55,511,000</u>	<u>93,000,000</u>
TOTAL AVAILABLE - ADJUSTED FOR PROPOSED SUPPLEMENTAL	<u>225,406,000</u>	<u>-55,069,000</u>	<u>170,337,000</u>
Proposed Supplemental a/ ...	<u>28,534,000</u>	<u>-28,534,000</u>	<u>--</u>
TOTAL AVAILABLE - AUTHORIZED	<u>253,940,000</u>	<u>-83,603,000</u>	<u>170,337,000</u>

a/ A proposed supplemental has been submitted to Congress to reduce loan authority by \$28,534,000.

PROJECT STATEMENT
(On basis of obligations)

Project	1986 Actual	1987 Estimate	Increase or Decrease	1988 Estimated
1. Operating Costs:				
(a) Administrative Expense.....	\$ 70,180:	\$ 75,000:	--	\$ 75,000
(b) Interest expense.	74,689,003:	76,682,000:	+\$442,000(1):	77,124,000
2. Dividends.....	147,050:	138,000:	--	138,000
3. Loans.....	127,896,825:	148,511,000:	-55,511,000(2):	93,000,000
TOTAL OBLIGATIONS - ADJUSTED FOR PROPOSED SUPPLEMENTAL.....	202,803,058	225,406,000	-55,069,000	170,337,000
Proposed Supplemental a/:	--	28,534,000	-28,534,000	--
TOTAL OBLIGATIONS - AUTHORIZED.....	202,803,058	253,940,000	-83,603,000	170,337,000

a/ A proposed supplemental has been submitted to Congress to reduce loan authority by \$28,534,000.

EXPLANATION OF RURAL TELEPHONE BANK PROGRAM

Public Law 92-12, approved May 7, 1971, amended the Rural Electrification Act of 1936, as amended, to establish the Rural Telephone Bank as a supplemental source of financing the Rural Telephone Program. The act, as amended, permits the Secretary of the Treasury to purchase the Bank's debentures. This minimizes REA borrowing costs and helps avoid cash flow problems associated with obtaining funds on the money market. Public Law 93-32, approved May 11, 1973, further amended the Act to increase the Bank's borrowing authority from eight to twenty times its paid-in-capital and retained earnings. The Bank charges a single interest rate based on its average cost of money, but not less than five percent per annum. The rate of interest charged on new loans during the first quarter of Fiscal Year 1987 was 7.0 percent.

Borrowing Authority

Equity capital of the Bank consists of Class A stock purchased by the United States; Class B and C stock purchased by Bank borrowers, organizations eligible to become borrowers, organizations controlled by borrowers; and retained earnings. The maximum borrowing authority of the Bank is limited to 20 times its paid-in-capital and retained earnings. Fiscal Year 1987 total borrowing authority available to the Bank is estimated at \$13.5 billion, comprised of \$1.1 billion in new borrowing authority and \$12.4 billion in unobligated authority brought forward. In 1988, available borrowing authority is calculated at \$13.9 billion, consisting of \$.4 billion in new borrowing authority and \$13.5 billion in authority carried over from prior years.

Highlights of Operation

The Rural Telephone Bank made 56 loans totaling \$127,896,825 in fiscal year 1986 at a weighted average interest rate of 7.72 percent. Since its inception the Bank has made loans totaling \$2,222,571,000 to 591 borrowers, at a weighted average interest rate of 8.26 percent.

The Bank's net income from October 1, 1985, to September 30, 1986, amounted to \$33,894,764, after making provision for a return of \$8,581,784 on Class A stock held by the government, a balance of \$25,312,980 was available for patronage refunds, dividends, and retained earnings. Assets of the Bank totaled \$1,467,173,494 as of September 30, 1986, and liabilities \$777,441,762. The Bank has invested some of the proceeds from the sale of Class B and C stock in United States securities; interest on these investments amounted to \$64,954.

Program Statistics
(Dollars in thousands)

	FY 1986 <u>Actual</u>	FY 1987 <u>Estimate</u>	FY 1988 <u>Estimate</u>
Cumulative net loans.....	\$2,222,571	\$2,371,082	\$2,464,082
Cumulative loan funds, advanced.....	1,547,946	1,631,234	1,709,674
Unadvanced loan funds, end of year...	674,624	739,848	754,408
Cumulative principal repaid.....	114,012	133,454	704,757
Cumulative interest paid.....	753,882	867,496	937,014
Number of borrowers.....	591	620	635

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of \$442,000 for operating costs (interest expenses) (\$76,682,000 available in 1987).

Need for Change. To meet the increased cost in interest payments to Treasury by the Rural Telephone Bank.

Nature of Change. Public Law 92-324, approved June 30, 1972, amended the Rural Electrification Act of 1936, as amended, to permit the Secretary of the Treasury to purchase the Bank's debentures. In fiscal year 1986 the Bank borrowed \$53,000 from the Treasury and it is estimated that an additional \$5.4 million in 1987 will be required to make advances to borrowers, a cumulative total of \$341 million.

The following tables show budget authority obligations, and borrowing authority for the Bank.

(2) A decrease of \$55,511,000 in loans (an adjusted \$148,511,000 available under proposed supplemental in 1987).

Need for Change. This reduction is made in conjunction with the Administration's economic and budget control plan which will reduce Federal involvement in general credit activities. The original goals of the REA telephone program have been accomplished in that 96 percent of all rural areas now have telephone service. Today, a significant portion of the telephone loans are used by telephone borrowers who are subsidiaries of multi-billion and multi-million dollar holding companies and borrowers serving largely urban/suburban areas.

Nature of Change. The level of Rural Telephone Bank loans will be reduced. REA borrowers can increase the portion of their total financing from REA guarantees of 70 percent of principal of privately originated loans.

Budget Authority, Obligations and Balances
(Dollars in thousands)

	<u>FY 1986</u> <u>Actual</u>	<u>FY 1987</u> <u>Estimate</u>	<u>FY 1988</u> <u>Estimate</u>
Budget Authority:			
Borrowing Authority (P&F Schedule) - Adjusted for			
Proposed Supplemental <u>a/</u>	<u>\$49,956</u>	<u>\$68,874</u>	<u>--</u>
New Budget Authority - Adjusted for Proposed Supplemental <u>a/</u>	49,956	68,874	--
Other Funds Available	161,428	166,073	\$589,878
Less: Return on Class A stock ...	-8,581	-9,541	-9,541
Debt Redemption	<u>--</u>	<u>--</u>	<u>-410,000</u>
TOTAL BUDGETARY RESOURCES - ADJUSTED FOR PROPOSED SUPPLEMENTAL	<u>202,803</u>	<u>225,406</u>	<u>170,337</u>
Proposed Supplemental <u>a/</u>	<u>--</u>	<u>28,534</u>	<u>--</u>
TOTAL BUDGETARY RESOURCES - AUTHORIZED	<u>202,803</u>	<u>253,940</u>	<u>170,337</u>
Obligations:			
Loans approved.....	127,897	148,511	93,000
Expenses and C stock dividends..	<u>74,906</u>	<u>76,895</u>	<u>77,337</u>
TOTAL - ADJUSTED FOR PROPOSED SUPPLEMENTAL	<u>202,803</u>	<u>225,406</u>	<u>170,337</u>
Proposed Supplemental <u>a/</u>	<u>--</u>	<u>28,534</u>	<u>--</u>
TOTAL - AUTHORIZED	<u>202,803</u>	<u>253,940</u>	<u>170,337</u>

a/ A proposed supplemental has been submitted to Congress to reduce loan authority by \$28,534,000.

Borrowing Authority
(Dollars in thousands)

	<u>FY 1986</u> <u>Actual</u>	<u>FY 1987</u> <u>Estimate</u>	<u>FY 1988</u> <u>Estimate</u>
Available start of year.....	\$11,246,693	\$12,380,739	\$13,456,489
Increase 1/.....	1,137,236	1,173,158	419,960
Encumbered.....	-49,956	-68,874	--
Recovery of Prior Obligations	<u>46,766</u>	<u>--</u>	<u>--</u>
AVAILABLE END OF YEAR - ADJUSTED FOR PROPOSED SUPPLEMENTAL	<u>12,380,739</u>	<u>13,485,023</u>	<u>13,876,449</u>
Proposed Supplemental <u>a/</u>	<u>--</u>	<u>-28,534</u>	<u>--</u>
AVAILABLE END OF YEAR - AUTHORIZED	<u>12,380,739</u>	<u>13,456,489</u>	<u>13,876,449</u>

1/ Computed in accordance with Section 407 of the Rural Electrification Act of 1936, as amended:

A Stock.....	28,530	28,710	--
B Stock.....	15,503	16,748	20,998
C Stock.....	--	--	--
Retained earnings.....	12,829	13,200	--
Total.....	<u>56,862</u>	<u>58,658</u>	<u>20,998</u>
Statutory borrowing authority rate.....	<u>X20</u>	<u>X20</u>	<u>X20</u>
Maximum borrowing authority during period.....	<u>1,137,236</u>	<u>1,173,158</u>	<u>419,960</u>

NOTE: Totals may not add due to rounding.

a/ A proposed supplemental has been submitted to Congress to reduce loan authority by \$28,534,000.

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Number and Amount of Rural Telephone Bank
Loans by States, Fiscal Year 1986

	<u>No.</u>	<u>Amount</u>
UNITED STATES	56	\$127,896,825
Alabama	2	6,734,700
Arkansas	1	416,850
California	1	875,700
Georgia	1	15,422,400
Indiana	1	2,094,750
Iowa	7	4,433,625
Kentucky	1	3,630,900
Louisiana	1	4,353,300
Maine	3	1,478,400
Michigan	1	1,504,650
Minnesota	4	12,274,500
Mississippi	2	969,150
Nebraska	1	2,476,950
New York	4	6,330,450
North Carolina	1	8,432,550
Ohio	2	1,996,050
Oklahoma	2	2,682,750
Oregon	2	4,013,100
South Carolina	1	4,446,750
South Dakota	1	2,837,100
Tennessee	5	15,873,900
Texas	2	10,160,850
Utah	1	3,168,900
Washington	2	899,850
Wisconsin	6	6,297,900
Guam	1	4,090,800

RURAL ELECTRIFICATION ADMINISTRATION

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets; new material underscored):

Purchase of Rural Telephone Bank Capital Stock

[For the purpose of Class A stock of the Rural Telephone Bank,
\$28,710,000, to remain available until expended (7 U.S.C. 901-950 (b)).]

The change proposes deletion of the language authorizing purchase of capital stock. Since no appropriation is requested in fiscal year 1988 for purchase of Class A stock, retention of language is unnecessary.

DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION
RURAL TELEPHONE BANK

Purchase of Rural Telephone Bank Stock

Appropriation Act, 1987.....	\$28,710,000
Budget Estimate, 1988.....	--
Decrease in appropriation.....	<u>28,710,000</u>

SUMMARY OF INCREASES AND DECREASES

<u>Item of Change</u>	<u>1987 Estimated</u>	<u>Program Change</u>	<u>1988 Estimated</u>
Purchase of Capital			
Stock	<u>\$28,710,000</u>	<u>-\$28,710,000</u>	<u>--</u>

Project Statement
(on Basis of Appropriation)

<u>Project</u>	<u>1986 Actual</u>	<u>1987 Estimated</u>	<u>Decrease</u>	<u>1988 Estimated</u>
Purchase of Capital				
Stock	\$28,530,000	\$28,710,000	\$28,710,000	--

EXPLANATION OF PROGRAM

The Rural Electrification Act of 1936, as amended, authorizes appropriations for the purchase of Class A stock in the Rural Telephone Bank by the U.S. Government. This account funds the purchase of class A stock of the Rural Telephone Bank. Since the Federal Government has already provided \$477 million in low cost capital to the Bank - \$177 million over the \$300 million in capital called for in the original statute establishing the Bank, therefore no appropriation is requested in fiscal year 1988.

JUSTIFICATION OF DECREASE

- (1) A decrease of \$28,710,000 for the purchase of capital stock.

Need for Change. This account funds the purchase of class A stock of the Rural Telephone bank, providing capital to the Bank with a 2 percent rate of return. The difference between 2 percent and Treasury's rates are borne by U.S. taxpayers. The Federal Government has already provided \$477 million in capital to the bank. The funds only begin to be repaid starting in 1995. The Bank has the authority to raise funds in private credit markets on its capital base. It is authorized to borrow virtually without limitation from the U.S. Treasury.

Nature of Change. No appropriation is requested for fiscal year 1988 for the purchase of capital stock.

RURAL ELECTRIFICATION ADMINISTRATION

The estimate includes appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Communication Development Fund:

To reimburse the Rural Communication Development Fund for interest subsidies and losses sustained in prior years, but not previously reimbursed, in making Community Antenna Television loans and loan guarantees under Sections 306 and 310B of the Consolidated Farm and Rural Development Act, as amended, [~~\$1,591,000~~] \$1,309,000.

11-27

DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION
RURAL COMMUNICATION DEVELOPMENT FUND

	<u>Estimated Obligations for Interest Expense</u>	<u>Appropriation</u>
<u>Community Antenna Television:</u>		
<u>Interest:</u>		
Appropriation Act, 1987	\$2,841,000	\$ 1,591,000
Budget Estimate, 1988	<u>2,938,000</u>	<u>1,309,000</u>
Change	<u>+ 97,000</u>	<u>-282,000</u>

SUMMARY OF INCREASE AND DECREASES
(On basis of authorizations)

<u>Community Antenna Television:</u>	<u>1987 Estimated</u>	<u>Change</u>	<u>1988 Estimated</u>
Appropriation for losses	<u>\$1,591,000</u>	<u>-\$282,000</u>	<u>\$1,309,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

<u>Project</u>	<u>: 1986 Actual</u>	<u>: 1987 Estimated</u>	<u>: Increase or Decrease</u>	<u>: 1988 Estimated</u>
Appropriation for:				
losses	<u>\$1,196,000</u>	<u>\$1,591,000</u>	<u>-\$282,000(1)</u>	<u>\$1,309,000</u>

An appropriation is requested in fiscal year 1988 to cover the losses of the fund in fiscal year 1986.

PROJECT STATEMENT
(On basis of actual or estimated obligations for interest expense)

<u>Project</u>	<u>: 1986 Actual</u>	<u>: 1987 Estimated</u>	<u>: Increase or Decrease</u>	<u>: 1988 Estimated</u>
Interest expense:	<u>\$2,790,000</u>	<u>\$2,841,000</u>	<u>+\$ 97,000</u>	<u>\$2,938,000</u>

EXPLANATION OF PROGRAM

The 1988 Budget does not propose to fund this program since sufficient funding is available in the private sector. REA will continue to administer the program and funding will be required to cover the losses of the fund.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease of \$282,000 for reimbursement for losses to the Rural Communication Development Fund (\$1,591,000 estimated in 1987).

Need for Change. The fund sustained a smaller operating loss in FY 1986 than in FY 1985.

Nature of Change. An appropriation of \$1,309,000 is requested in fiscal year 1988 to cover the losses of the fund in fiscal year 1986.

NOTIFICATION OF NON-RECEIPT

TO: [Name] [Address] [City] [State] [Zip]

FROM: [Name] [Address] [City] [State] [Zip]

DATE: [Date]

RURAL ELECTRIFICATION ADMINISTRATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

SALARIES AND EXPENSES

- For administrative expenses to carry out the provisions of the Rural Electrification Act of 1936, as amended (7 U.S.C. 901-950(b)), and to administer the loan and loan guarantee programs for Community Antenna Television facilities as authorized by the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 - 1995) and for which commitments were made prior to fiscal year [1987],
- 1 1988 including not to exceed \$7,000 for financial credit reports, funds for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$103,000 for employment under 5 U.S.C. 3109, [~~\$26,355,000~~] \$27,244,000.

The first change updates the fiscal year designation.

SALARIES AND EXPENSES - CURRENT LAW

Appropriation Act, 1987	\$29,447,000
Budget Estimate, 1988	<u>27,244,000</u>
Decrease in Appropriation	<u>-2,203,000</u>

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of appropriation)

	<u>1987 Estimate</u>	<u>Pay Cost and FERS</u>	<u>Program Changes</u>	<u>1988 Estimate</u>
Administration of Loan Programs...	<u>\$29,447,000</u>	<u>+\$1,885,000a/</u>	<u>-\$4,088,000</u>	<u>\$27,244,000</u>

a/ Includes an increase of \$607,000 for pay increases effective in FY 1987 and \$1,278,000 increased costs associated with FERS.

PROJECT STATEMENT - CURRENT LAW
(On basis of appropriation)

Project	1986 Actual Amount	Staff Years	1987 Estimated Amount	Staff Years	Decrease	1988 Estimated Amount	Staff Years
1. Administration of rural electrification program:							
(a) Lending and Management:							
Activities	\$ 7,634,083	159	\$ 8,295,000	150	-\$621,000	\$ 7,674,000	141
(b) Engineering Activities:	6,965,426	145	7,568,000	138	-565,000	7,003,000	127
Total administration of							
electrification program:	14,599,509	304	15,863,000	288	-1,186,000	14,677,000	268
2. Administration of rural telephone program:							
(a) Lending and Management:							
Activities	7,096,057	149	7,710,000	141	-577,000	7,133,000	132
(b) Engineering Activities:	5,405,806	113	5,874,000	106	-440,000	5,434,000	100
Total administration of							
telephone program ...	12,501,863	262	13,584,000	247	-1,017,000	12,567,000	232
Unobligated balance	2,377,628	--	--	--	--	--	--
Total available or estimated	29,479,000	566	29,447,000	535	-2,203,000	27,244,000	500

EXPLANATION OF PROGRAM

The appropriation "Salaries and Expenses" of the Rural Electrification Administration funds the activities authorized by the Rural Electrification Act, as amended. The Act authorizes REA to provide to qualified electric and telephone organizations capital through insured loans and guarantees of loans by other lenders for electric and telephone service in rural areas comparable in reliability and quality to the service provided the rest of the nation. In addition to administering programs for making loans, assurance of feasibility and adequate security and collections on loans, the REA staff furnishes management and technical assistance to borrowers for the purpose of protecting the Government's loan security, to assure that construction and operation of borrowers' systems conform to approved standards, and that the electric and telephone systems continue providing reliable service on an area coverage basis.

Legislation will be proposed to charge a loan origination fee on all new loans to cover REA administrative costs.

Applications, Loans, and Requisitions for Advances

(Dollars in thousands)

	<u>Actual</u>		<u>Estimated</u>		<u>Estimated</u>	
	<u>Fiscal Year 1986</u>		<u>Fiscal Year 1987</u>		<u>Fiscal Year 1988</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
<u>Electric Program</u>						
Applications received	247	\$2,790,697	340	\$2,260,000	350	\$2,300,000
Insured loans approved	167	651,933	185	983,165	33	258,000
Loan guarantee commitments.....	10	1,167,512	8	813,450	0	0 <u>b/</u>
Non-REA loans without guarantee <u>a/</u>	182	841,014	80	600,000	110	830,000
Applications on hand, end of year.....	86	823,436	153	686,821	300	1,362,821
Advances processed (Insured Loans).....	1,315	731,532	1,200	600,000	900	550,000
<u>Telephone Program</u>						
Applications received ..	113	353,201	110	350,000	115	325,000
Insured loans approved	80	183,340	90	342,277	25	32,000
RTB loans approved	56	127,897	60	177,045	45	93,000
Loan guarantee commitments.....	0	0	7	119,000	0	0 <u>b/</u>
Applications on hand, completed -	20	117,887	25	90,000	30	125,000
Advances processed -						
REA borrowers.....	546	229,332	500	215,000	400	170,000
RTB borrowers.....	163	71,761	170	85,000	170	85,000

a/ Includes concurrent non-REA loans made in conjunction with REA insured electric loans.

b/ Legislation will be proposed to finance this activity with private sector loans with a 70 percent REA guarantee of \$766,000 in electric loan guarantees and \$74,000 in telephone loan guarantees.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$607,000 to annualize 1987 pay costs and to restore pay costs absorbed in 1987 and an increase of \$1,278,000 to fund increased costs associated with the Federal Employees Retirement System.
- (2) A decrease of \$4,088,000 for administration of rural electrification, rural telephone and community antenna television loan programs (\$29,447,000 available in 1987).

Need for Change A decrease of \$4,088,000 associated with a reduction in staff years to the level necessary to administer the loan programs at the anticipated levels.

Nature of Change The budget decrease will permit the agency to continue the operation of the rural electric and telephone programs at the levels anticipated. Sufficient funds would be available to furnish the management and technical assistance to borrowers to protect the Government's loan security and to assure that all borrowers continue to provide reliable service on an area coverage basis.

SALARIES AND EXPENSES - PROPOSED LEGISLATION

Budget Estimate, Current Law, 1988	\$27,244,000
Change due to proposed legislation	-27,244,000
Net Request, President's 1988 Budget Request	<u>-0-</u>

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

<u>Item of Change</u>	1988		
	<u>Current Law</u>	<u>Program Change</u>	<u>President's Request</u>
Administration of Loan Programs	<u>\$27,244,000</u>	<u>-\$27,244,000</u>	<u>-0-</u>

Explanation of Proposed Legislation

Legislation will be proposed to charge an origination fee on all new direct loans and privately originated loans guaranteed by REA sufficient to cover annual REA administrative costs. The fee will be paid with each advance of loan funds and deposited into the Rural Electrification and Telephone Revolving Fund.

FEDERAL CROP INSURANCE CORPORATION

Purpose Statement

The Federal Crop Insurance Corporation is a wholly-owned Government Corporation created February 16, 1938 (7 U.S.C. 1501). The program was amended by P. L. 96-365, approved September 26, 1980, to provide for nationwide expansion of a comprehensive crop insurance program. The purpose of the Corporation is to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance.

The Federal Crop Insurance Corporation provides an actuarially sound cost-sharing insurance program for agricultural producers to protect their production investment against unavoidable risks. The expanding crop insurance program constitutes a joint effort by the private insurance industry and the government. The private insurance companies and agents are being utilized in the delivery of the program to the farmers.

Major Activities

The Federal Crop Insurance Program comprises the following major activities:

(1) Underwriting, Actuarial, and Program Development which consists of the development of crop insurance programs and the establishment and maintenance of rates and coverages for crops in each county; (2) Reinsured Companies which covers the insurance companies' costs of insurance marketing, underwriting, servicing, training, quality control, and loss adjustment functions. The companies also share with FCIC to a limited extent in both profits and losses; (3) Agency Sales and Service Agreements and Loss Adjustment Contracts consists of what is commonly referred to as master marketing agreements and the loss adjustment contracts associated with direct insurance operations. Under this type of agreement, private insurance companies and associations are offered the opportunity to contract with FCIC to provide insurance sales and services of policies issued by FCIC. Loss adjustment activities associated with FCIC policies are contracted by FCIC; (4) Compliance consists of reviews of the activities of the reinsured companies, master marketers, and loss adjustment contractors, to assure compliance and uniformity in loss adjustment procedures, training development, quality control methods utilized and, in general, all service operating facets of the crop insurance program; (5) Program Management and Administrative Support consists of the contract administration for the dual delivery system of crop insurance as well as administrative support in financial, management services, and personnel management for FCIC.

The 1987 crop insurance program will operate in over 3,000 counties, furnishing insurance coverage of approximately \$8.4 billion on almonds, apples, barley, beans, citrus, citrus trees, combined crop, corn, cotton, cotton (extra long staple), cranberries, flax, forage production, forage seeding, grain sorghum, grapes, grapes (table), hybrid seed, oats, peaches, canning peaches, peanuts, peas (green and dry), green peppers, popcorn, potatoes, prevented planting, prunes, raisins, rice, rye, soybeans, sugar beets, sugarcane, sunflowers, sweet corn, sweet corn (fresh), tobacco, tomatoes (fresh), tomatoes (processing), walnuts and wheat. It is estimated that about 58.6 million acres will be insured for the 1987 crop year.

General Administration

The various crop insurance programs are planned, developed, and monitored by the FCIC headquarters office located in Washington, D.C. and its national operations office located in Kansas City, Missouri. The program is administered in the field through 18 field operations offices and 11 field actuarial offices. Selling and servicing at the county level is performed primarily by agents operating under agency sales and service agreements (master marketing agreements) and agents of reinsured companies. The adjustment of losses is performed by reinsured companies for their policies and by loss adjusters under contract with FCIC for FCIC policies sold by master marketers. Also, ASCS performs some support on a reimbursable basis for the Corporation.

The Kansas City, Missouri office processes all insurance documents, except those of the reinsured companies, records the detailed accounting and statistical data and prepares the required accounting, statistical, and management reports. This function is essentially all automated.

As of September 30, 1986 there were 1,107 paid employees with 677 being permanent full-time and the remaining being temporary full-time or permanent part-time employees. Of the total paid employees, 71 permanent full-time and 3 others were located in the Washington, D.C. office.

A summary of changes in capital for fiscal year 1986, and estimates for fiscal years 1987 and 1988 follow:

	F.Y. 1986 <u>Actual</u>	F.Y. 1987 <u>Estimate</u>	F.Y. 1988 <u>Estimate</u>
Net capital at beginning of year...	\$133,760,212	\$178,931,912	\$261,833,212
Additions to Capital:			
Appropriation (Premium Subsidy)...	134,190,000	124,034,000	228,523,272
Treasury and/or CCC Borrowing....	450,000,000	375,000,000	200,000,000
Appropriation (Int. Exp. Reimb.).	0	11,709,000	56,300,000
Deductions from Capital:			
Repaid Treas. Borr (\$113 M).....	0	0	75,000,000
Subtotal.....	<u>717,950,212</u>	<u>689,674,912</u>	<u>671,656,484</u>
Income:			
Insurance Prem.(farmer) MMA.....	133,734,808	46,799,612	36,891,098
Reinsurance Program (incl P.R.):	543,456,163	438,598,500	461,775,617
Less: Company share of gain.....	6,761,914	5,457,230	5,745,610
Amount deferred.....	1,280,303	0	0
Premium subsidy.....	<u>125,302,542</u>	<u>112,254,454</u>	<u>118,430,520</u>
Subtotal.....	<u>133,344,759</u>	<u>117,711,684</u>	<u>124,176,130</u>
Net Reinsurance (inclcs P.R.)....	410,111,404	320,886,816	337,599,487
Prior yr adjs--Reins (incl P.R.).	-143,690	0	0
Int. and other income (Reins)	16,320	0	0
Interest and other income.....	5,261,024	0	0
Prior year adjustments.....	-63,534	0	0
Subtotal, Income.....	<u>548,916,332</u>	<u>367,686,428</u>	<u>374,490,585</u>
Expenses:			
Government Indemnities.....	304,655,313	98,548,940	74,923,079
Prior year Adjustments.....	-9,488,000	0	0
Reinsurance Program (inclcs P.R.):			
Reinsurance losses.....	800,604,186	644,512,811	674,307,714
Less: share of losses.....	<u>5,924,744</u>	<u>4,769,615</u>	<u>4,990,107</u>
Net reins losses (inclcs P.R.)....	794,679,442	639,743,196	669,317,607
Prior yr Adjs--Reins (inclcs P.R.)..	3,995,774	0	0
Agents' commissions--pr yr adjs..	7,904	0	0
Loss Adj. cost (prior yr adj.)....	0	0	0
Est. uncollectible premium.....	2,203,932	935,992	737,822
Prior year & other adjustments.....	-7,710,835	0	0
Int. on Treas Borr (\$113 M).....	-408,898	11,300,000	3,800,000
Int. on CCC Borr (\$450 M).....	0	45,000,000	82,500,000
Subtotal, Expenses.....	<u>1,087,934,632</u>	<u>795,528,128</u>	<u>831,278,508</u>
Net Income or Loss(-)for the year..	<u>-539,018,300</u>	<u>-427,841,700</u>	<u>-456,787,923</u>
Net capital at end of year.....	<u>178,931,912</u>	<u>261,833,212</u>	<u>214,868,561</u>

Analysis of Capital:

Capital Stock:

Authorized.....	500,000,000	500,000,000	500,000,000
Unissued.....	<u>0</u>	<u>0</u>	<u>0</u>
Issued.....	500,000,000	500,000,000	500,000,000

Treasury Borrowing.....	113,000,000	113,000,000	38,000,000
CCC Borrowing.....	450,000,000	825,000,000	1,025,000,000

Paid-in-Capital:

Paid-in-surplus.....	37,978,470	37,978,470	37,978,470
Approp.(premium subsidy)	502,338,000	626,372,000	854,895,272
Approp.(agents' comms.).	47,909,000	47,909,000	47,909,000
Approp.(loss Adjustment)	4,632,000	4,632,000	4,632,000
Approp.(Interest Reimb.)	0	11,709,000	68,009,000
Cum surplus(+)/deficit(-)	<u>-1,476,925,558</u>	<u>-1,904,767,258</u>	<u>-2,361,555,181</u>

Net capital at end of period	<u>178,931,912</u>	<u>261,833,212</u>	<u>214,868,561</u>
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FEDERAL CROP INSURANCE CORPORATION

Available Funds and Staff-Years
1986 Actual and Estimated 1987 and 1988

Item	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Administrative and Operating Expenses...	\$209,596,000	1,107	\$209,555,000	965	\$215,197,000	760
Borrowing Authority...	450,000,000	---	375,000,000	---	200,000,000	---
FCIC Fund:					a/	
Premium Subsidy.....	134,190,000	---	124,034,000	---	228,523,000	---
Restoration of Prior Year Obligations (Interest Expense):	---	---	11,709,000	---	b/ 56,300,000	---
Total, Agriculture Appropriations	793,786,000	1,107	720,299,000	965	700,020,000	760

Full-Time Equivalent Staff-Years:	1986 <u>Actual</u>	1987 <u>Estimated</u>	1988 <u>Estimated</u>
Ceiling.....	1,095	950	750
Non-ceiling.....	12	15	10
Total.....	1,107	965	760

a/ In fiscal year 1986 the FCIC followed requirements of the GAO that the Corporation conform to Financial Accounting Standards Board Transmittal No. 60 (FASB 60). Under FASB 60, the Corporation would no longer defer premium subsidy appropriations until the subsequent year as had been the practice in past years. The Corporation would match revenues and expenses in the period in which they are earned; therefore, fiscal year 1988 represents a catch-up year for premium subsidy appropriation which includes all of crop year 1987 (\$129,245,000) as well as 75 percent of crop year 1988 (\$99,278,000) premium subsidy appropriation requested.

b/ This amount represents restoration of funds for interest expense on Treasury and CCC borrowing paid from premium income as provided by Section 516(a) of the FCI Act, as amended, for amounts obligated in fiscal year 1987 not previously appropriated.

FEDERAL CROP INSURANCE CORPORATION

Permanent Positions by Grade and Staff-Year Summary
1986 and Estimated 1987 and 1988

Grade	1986			1987			1988		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-5	1	0	1	1	0	1	1	0	1
ES-4	1	0	1	1	0	1	1	0	1
ES-3	0	1	1	0	1	1	0	1	1
GS/GM-15	3	4	7	3	4	7	3	4	7
GS/GM-14	7	7	14	9	7	16	9	7	16
GS/GM-13	23	56	79	23	56	79	23	56	79
GS-12	42	182	224	40	182	222	40	182	222
GS-11	27	120	147	27	120	147	15	132	147
GS-10	1	0	1	1	0	1	1	0	1
GS-9	13	33	46	13	33	46	10	36	46
GS-8	7	6	13	7	6	13	7	6	13
GS-7	15	31	46	15	31	46	10	36	46
GS-6	16	26	42	16	26	42	11	31	42
GS-5	16	81	97	16	81	97	13	84	97
GS-4	19	20	39	19	20	39	14	25	39
GS-3	2	0	2	2	0	2	2	0	2
Total Permanent Positions:	193	567	760	193	567	760	160	600	760
Total Staff-Years									
Ceiling.....	143	953	1,095	208	742	950	159	591	750
Non-Ceiling.....	2	9	12	5	10	15	3	7	10
TOTAL	145	962	1,107	213	752	965	162	598	760

1987

1986

Kansas City, Headquarters:

Total Perm. Positions....

Total Staff-Years.....

80

80

58

66

89

60

FEDERAL CROP INSURANCE CORPORATION
CLASSIFICATION BY OBJECTS
1986 and Estimated 1987 and 1988

Administrative and Operating Expenses	<u>1986</u>	<u>1987</u>	<u>1988</u>
Personnel Compensation:			
Headquarters (including K.C., Mo., Headquarters) a/.....	\$ 4,009,851	\$ 5,368,000	\$ 4,205,000
Field.....	<u>24,003,971</u>	<u>18,950,000</u>	<u>15,525,000</u>
11 Total Personnel Compensation....	28,013,822	24,318,000	19,730,000
12 Personnel Benefits.....	3,827,314	2,918,000	3,749,000
13 Benefits for Former Personnel...	<u>153,022</u>	<u>200,000</u>	<u>200,000</u>
Total Personnel Compensation and Benefits.....	<u>31,994,158</u>	<u>27,436,000</u>	<u>23,679,000</u>
Other Objects:			
21 Travel.....	4,051,157	4,825,000	3,933,000
22 Transportation of Things.....	343,502	241,000	197,000
23.2 Communications, Utilities, and Other Rent.....	2,952,685	2,605,000	2,124,000
24 Printing and Reproduction.....	725,211	579,000	472,000
25 Other Services.....	7,999,445	5,620,005	10,822,045
25 Other Contracts (APH, OAP, etc.)	10,521,430	6,389,000	10,249,000
25 ASCS Agreement.....	8,818,044	3,898,000	3,898,000
25 Reinsurance Admin Expenses.....	97,650,000	144,086,400	147,571,200
25 Agents' Commissions--MMA'S.....	10,764,927	7,504,500	7,586,000
25 Loss adjustment contracting.....	5,978,230	5,306,095	3,696,755
26 Supplies and Materials.....	453,929	482,000	393,000
31 Equipment.....	686,185	579,000	472,000
42 Insurance Claims and Indemnities.....	4,279	3,000	3,000
43 Interest and dividends.....	<u>10,554,269</u>	<u>2,000</u>	<u>2,000</u>
Total, Other Objects.....	<u>161,508,293</u>	<u>182,120,000</u>	<u>191,513,000</u>
Total Direct Obligations.....	<u>193,502,451</u>	<u>209,556,000</u>	<u>215,197,000</u>
Position Data:			
Average Salary, ES positions	\$68,477	\$70,532	\$70,532
Average Salary, GS/GM positions	\$29,272	\$30,151	\$30,151
Average Grade, GS/GM Positions	9.75	9.75	9.75

a/ Headquarters includes all Washington, D.C. employees, and Kansas City, Missouri, employees in Support Services, Personnel, and Finance.

FEDERAL CROP INSURANCE CORPORATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Administrative and Operating Expenses:

For administrative and operating expenses, as authorized by the Federal Crop Insurance Act, as amended (7 U.S.C. 1516), [~~\$209,568,000~~] \$215,197,000:
Provided, That not to exceed \$700 shall be available for official reception and representation expenses, as authorized by 7 U.S.C. 1506(i).

ADMINISTRATIVE AND OPERATING EXPENSES - CURRENT LAW

Appropriation Act, 1987.....	\$209,568,000
Budget Estimate, Current Law, 1988.....	<u>215,197,000</u>
Increase in Appropriation.....	<u>+ 5,629,000</u>

Adjustments in 1987:

Appropriation Act, 1987.....	\$209,568,000
Transfer to Departmental Administration	<u>-12,000 a/</u>

Adjusted base for 1987.....	209,556,000
Budget Estimate, Current Law, 1988.....	<u>215,197,000</u>
Increase over adjusted 1987.....	<u>+5,641,000</u>

a/ A transfer of \$12,000 to Departmental Administration is to fund activities previously financed on a reimbursable basis as a direct appropriation in F.Y. 1988.

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>1987 Estimated</u>	<u>Pay Cost and FERS</u>	<u>Program Changes</u>	<u>1988 Estimated</u>
Underwriting, Actuarial and Program Development...	\$20,320,000	+\$560,000	+\$4,617,000	\$25,497,000
Reinsured Companies.....	145,059,000	+53,000	+8,139,000	153,251,000
Agency Sales and Service Agreements and Loss Adjustment Contracts.....	25,109,000	+807,000	-3,872,000	22,044,000
Compliance.....	2,400,000	+107,000	+75,000	2,532,000
Program Management and Administrative Support....	<u>16,668,000</u>	<u>+502,000</u>	<u>-5,347,000</u>	<u>11,823,000</u>
Total Available.....	<u>209,556,000</u>	<u>+2,029,000</u>	<u>+3,612,000</u>	<u>215,197,000</u>

a/ Includes an increase of \$647,000 for pay increases effective in F.Y. 1987 and \$1,382,000 for increased costs associated with FERS.

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1986 Actual		1987 (Est.)		Increase or Decrease	1983 (Est.)	
	Amount	SY	Amount	SY		Amount	SY
1. Underwriting,							
Actuarial							
and Program					(1)		
Development...	\$27,736,942	214	\$ 20,320,000	210	+\$5,177,000	\$25,497,000	210
2. Reinsured com-					(2)		
panies.....	98,741,066	10	145,059,000	20	+8,192,000	153,251,000	20
3. Agency Sales &							
Service Agree-							
ments & Loss					(3)		
Adjust. Contr.	36,241,667	551	25,109,000	415	-3,065,000	22,044,000	302
					(4)		
4. Compliance.....	351,381	7	2,400,000	40	+182,000	2,582,000	40
5. Program Manage-							
ment & Admini-					(5)		
strative Sup.	30,409,374	325	16,668,000	280	-4,845,000	11,823,000	188
Unobligated							
balance.....	16,115,570	---	---	---	---	---	---
Total available							
or estimate.....	209,596,000	1,107	209,556,000	965	+5,641,000	215,197,000	760
Transfer for							
Reimbursable							
Activities.....	+12,000	---	+12,000	---			
Total, appro-							
priation.....	209,608,000	1,107	209,568,000	965			

EXPLANATION OF PROGRAM

The appropriation, "Administrative and Operating Expenses," of the Federal Crop Insurance Corporation, funds the activities authorized by the Federal Crop Insurance Act, as amended (7 U.S.C. 1501-1520).

The Corporation's long-term objective is to provide the maximum number of farm producers with crop insurance coverage, on an actuarially sound basis, as protection against risks and economic losses resulting from uncontrollable natural hazards.

The fiscal year 1988 appropriation request for administrative and operating expenses will enable the Corporation to provide for some growth in the expanded crop insurance program that will provide farmer participation at about 23 percent of the potentially insurable acreage. The current program provides a subsidy to those insured equal to about 25 percent of the premium. The President's budget proposes legislation for later transmittal to phase out the administrative and operating expenses and Federal subsidy costs over five years beginning in fiscal year 1988.

The major portion of administrative and operating expenses is to provide for the program delivery systems which will be accomplished through the use of the private sector as provided by the Federal Crop Insurance Act under Section 507(c). The delivery systems are:

(1) Reinsured companies which enable the insurance companies to provide the insurance marketing, underwriting, servicing, training, quality control, statistical processing and reporting, and loss adjustment functions. As risk-bearers, the companies also share with FCIC in both profits and losses. It is estimated that reinsured companies will handle insurance sales amounting to over 90 percent of the premium during crop year 1988.

(2) Agency Sales and Service Agreements which are known as the "Master Marketing Agreements." Under this type of agreement, private insurance companies and associations are offered the opportunity to contract with FCIC to provide insurance sales and services. They are compensated on a commission basis. It is estimated that for crop year 1988, about 10 percent of the premium will be handled under this delivery system.

(3) Existing ASCS Offices, will provide FCIC information, support, collect data, assist FCIC in establishing farm yields, and upon request for FCIC, will sell and service all-risk crop insurance in existing county offices where an adequate private sales and service force is unavailable.

The activities carried out by the Corporation are as follows:

Underwriting, Actuarial and Program Development covers the underwriting function which makes determinations with respect to establishment of insurance coverages and premium rates for different farming practices (summer fallow, continuous cropping, irrigation, etc.,) in each county. Also, in each county, insurance coverages and premium rates are broken down by yield groups to reflect variation in productivity and in risk of loss. Crop insurance coverages must be established and maintained for each crop in each county.

Field underwriters review and recommend revision of local rates each year to refine the actuarial structure. In addition, new programs are researched and developed, and existing ones are reviewed for improvement of contract provisions and proposals.

Reinsured Companies - Reinsurance and expense reimbursement enables the reinsured companies to provide the insurance marketing, underwriting, servicing, training, quality control, statistical processing reporting, and loss adjustment functions. The companies also share with FCIC in both profits and losses.

Agency Sales and Service Agreements and Loss Adjustment Contracts - Under Agency Sales and Service Agreements, companies and associations are offered the opportunity to contract with FCIC to provide insurance sales and limited services for policies written by FCIC. For these policies, the loss adjustment work is performed by adjusters under contract with FCIC.

Compliance - This activity consists of reviews of the activities of the reinsured companies, master marketers and FCIC loss adjusters, to assure compliance and uniformity in loss adjustment procedures, training development, quality control methods utilized, and, in general, all service operating facets of the crop insurance program.

Program Management and Administrative Support - This activity includes all management and administrative support functions in both Washington, D.C. and Kansas City, Mo. Included are the following functions; the administration of agreements for the dual delivery systems, as well as the administrative support functions of finance, budget, management services, and personnel management for the Corporation.

The following table summarizes the planned level of crop insurance operations for crop years 1986, 1987, and 1988:

	Crop Year 1986	Crop Year 1987	Crop Year 1988
Premiums (000).....	\$400,000	\$500,300	\$512,400
Government Operations.....	(\$80,000)	(\$50,030)	(\$51,240)
Reinsurance Operations a/. (\$320,000)		(\$450,270)	(\$461,160)
Premium Subsidy included above (000).....	\$99,163	\$129,245	\$132,371
Insurance in Force (000)....	\$6,699,859	\$8,380,000	\$8,584,000
Insured Acres (000).....	46,852	58,600	60,025
Counties.....	3,012	3,012	3,012
County Programs.....	19,053	19,250	19,400

a/ Includes amounts that will appear on the books of the reinsured companies. The Corporation's records will only reflect the net reinsurance income and net reinsurance losses.

The following table indicates the premium levels by delivery system for crop years 1987 and 1988:

Delivery Mode	Crop year 1987	Crop year 1988	Increase or Decrease
(In Thousands of Dollars)			
Reinsured Companies.....	450,270	461,160	10,890
Percent of Total.....	90%	90%	
Master Marketing Agreements.....	50,030	51,240	1,210
Percent of Total.....	10%	10%	
Total Premium.....	500,300	512,400	12,100

OIG Reports

#599-22-KC

FCIC Actuarial Practices and Procedures - Recommendation Number 2 - RESOLVED/COMPLETE 3/24/86; Recommendation Numbers 1, 3, 4, 5, - RESOLVED/INCOMPLETE as of 12/22/86

#05607-1-FM

Fast Report, 06/10/85; CLOSED, 5/13/86 per OIG-WA, two issues involved are being covered in two separate reports (See: 05607-1-FM, 7/22/86; 05607-2-FM, 7/22/86)

RE: Crop Reinsurance Operations

#05099-4-SF Discussion Draft, 5/28/85 - Recommendation Nos. 1-14 Official Draft, 8/5/85 - Recommendation Nos. 1-14 Official Audit Report, 11/6/85 - Recommendation Nos. 8 and 9 - RESOLVED/CLOSED, 11/6/85; Recommendation NOs. 1, 2, 3, 6, 7, 10, 11 - RESOLVED/COMPLETE 5/28/86; Recommendation Nos. 4-5 and 12-14 - RESOLVED/COMPLETE 7/2/86

RE: Audit of Federal Crop Insurance Corporation Raisin Losses in California (1983 and 1984)

#05099-7-TE Discussion Draft, 6/13/85 - Recommendation Nos. 1-10 Official Audit Report, 9/30/85 - Recommendation Nos. 1-3, 5-8, 10 - RESOLVED/COMPLETE 2/27/86; Recommendation Nos. 4 and 9 - RESOLVED/COMPLETE 4/2/86

RE: Audit of Indemnity Payments for 1983 Soybean Losses in Arkansas and Louisiana

#05099-29-KC Fast Report, 12/20/85 - RESOLVED/COMPLETE 9/17/86

RE: Survey of Payments Made Through the Miscellaneous Payment System

#05099-1-FM Fast Report, 5/8/85 - RESOLVED/COMPLETE 11/6/86

RE: Use of Automated Data Processing (ADP) Technical Service Contracts

#05099-30-KC Individual Yield Coverage Program and Cotton and Rice Coverage Program-Draft Interim Audit Report No. 1, 9/17/84; conditions A-D - COMPLETE 10/16/84. OFFICIAL DRAFT REPORT, COMPLETE 10/22/85 8/85; OFFICIAL AUDIT REPORT; 1/14/86 - ALL 5 REC. RESOLVED/INCOMPLETE as of 12/22/86

#50099-29-HY Official Audit Report, 9/30/85 - Recommendation Nos. 3-6 - RESOLVED/COMPLETE 6/5/86

RE: Audit of Office of Information Resources Management and Agencies' Forms Programs

#05530-3-FM Audit Report, 3/3/86 - Recommendation Nos. 1-3 Recommendation Nos. 1 and 3 - RESOLVED/COMPLETED 3/3/86; Recommendation No. 2 - UNRESOLVED/INCOMPLETE as of 12/22/86

RE: Implementation of ACF2 by FCIC

9/5/86 - FCIC responded to Recommendation No. 2. Disagreement in implementing ACF2. Will be reported by OIG in the Semi-annual Report to Congress 9/30/86.

#50658-1-FM Memo intended as an Internal USDA Management Document, 2/19/86 - CLOSED/COMPLETE 4/11/86 - REF: 50658-4-FM

RE: Agency Compliance with IRS Form 1099 Filing Requirements

#50653-4-FM Audit Report, 4/11/86 - Recommendation Nos. 1 and 2 -
RESOLVED/INCOMPLETE as of 12/22/85

RE: Compliance with IRS Form 1099 Reporting Requirements to
FCIC

#50659-1-CH Questionnaires, 5/2/86 - RESOLVED/COMPLETE 6/27/86

RE: Oversight of Program Operations Through the Use of CPA's

#05099-10-TE Discussion Draft, 7/14/86 - Recommendation Nos. 1 and 2 -
UNRESOLVED/INCOMPLETE as of 12/22/85

RE: Survey of Indemnity Payments to Producers in Arkansas

#05608-2(1)-TE Draft Fast Report, 7/18/86 - UNRESOLVED/INCOMPLETE 12/22/86

RE: Reinsurance Operations, Lowndes County, MS

#05607-1-FM Discussion Draft, 7/22/86 - UNRESOLVED/INCOMPLETE

RE: Audit of Compliance with the Prompt Payment Act in the
Crop Reinsurance Program

8/8/86 - FCIC responded. Awaiting OIG.

#05607-2-FM Official Draft, 7/22/86; Final Report, 11/6/86 -
RESOLVED/INCOMPLETE

RE: Audit of Crop Reinsurance Program Funds (funding of
underwriting gains/losses)

2/10/86 - FCIC responded. Awaiting OIG.

GAO Reports

GAO Final Report RCED-84-65, 3/14/84 - INCOMPLETE

RE: More Attention Needed in Key Areas of the Expanded Crop Insurance Program

5/7/84 - FCIC responded to GAO Report.

9/10/85 - An update on the recommendations provided GAO. Another update is
due the 2nd Quarter of FY 1986.

GAO Draft RCED-86-118, 3/20/86 - COMPLETE 5/14/86

RE: Consistency Needed in USDA Agencies' Crop Yield Estimates

GAO Final RCED-86-118, 5/29/86 - INCOMPLETE

RE: Farm Programs and Loans; Consistency Needed in USDA Crop Yield Estimates

8/11/86 - FCIC responded. Awaiting GAO.

GAO Final Report AFMD-86-59, 9/86 - COMPLETE

RE: Financial Audit: FCIC's Financial Statements for 1985 and 1984 --
Information Report. Does not contain recommendations; therefore, no comments
required.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net increase of \$5,177,000 in the Administrative and Operating Expenses for underwriting, actuarial, and program development (\$20,320,000 available in F.Y. 1987), consisting of:

- (a) An increase of \$179,000 to annualize 1987 pay costs absorbed in 1987, and an increase of \$381,000 to fund increased costs associated with the Federal Employees Retirement System.
- (b) An increase of \$758,000 for nondiscretionary increases (increased operating costs estimated at 3.5 percent of all non-salary costs).
- (c) An increase of \$3,859,000 in the Actual Production History (APH) related contracting activities, including yield verification and quality control.

Need for change. During fiscal year 1988, it is assumed that the underwriting, actuarial, and program development functions will be performed in over 3,000 counties covering approximately 19,400 county programs. The APH related contracting activities are largely labor intensive costs and are for compilation of 10-year production statistics and establishment of yield guarantees for crop insurance policies.

Nature of Change. The F.Y. 1988 level of APH work estimated to be done by contract will be greater in F.Y. 1988 than in F.Y. 1987, since more producers will be in the APH program.

The following table reflects the cost and staff-year distribution of this activity for fiscal years 1987 and 1988:

Function	1987		1988		Change 1988 over 1987	
	Staff:		Staff:		Staff:	
	Years:	Cost	Years:	Cost	Years:	Cost
1. Actuarial analysis & program development..	78	\$3,721,000:	78	\$4,210,000:	0	+\$489,000
2. Field underwriting....	132	6,312,000:	132	7,141,000:	0	+829,000
3. ASCS Agreement.....	0	3,898,000:	0	3,898,000:	0	0
4. APH Related Functions..	0	6,389,000:	0	10,243,000:	0	+3,854,000
Total.....	210	20,320,000:	210	25,497,000:	0	5,177,000

(2) A net increase of \$3,192,000 in the Administrative and Operating Expenses for reinsured companies (\$145,059,000 available in 1987), consisting of:

- (a) An increase of \$17,000 to annualize 1987 pay costs absorbed in 1987, and an increase of \$36,000 to fund increased costs associated with the Federal Employees Retirement System.
- (b) An increase of \$4,654,000 for nondiscretionary increases (increased operating costs estimated at 3.5 percent of all non-salary costs).

- (c) An increase of \$3,485,000 is due to additional reinsurance administrative expense reimbursement necessary for the increased premium to be handled by the reinsured companies.

Need For Change. The expanding nationwide crop insurance program will require more reinsurance administrative expenses for the higher premium levels in fiscal year 1988 than was required in fiscal year 1987. Total premium is expected to increase from \$500.3 million in fiscal year 1987 to \$512.4 million in fiscal year 1988. The reinsured company premium sales are projected to increase from \$450.3 million in 1987 to \$461.2 million in 1988, for over 90 percent of the total premium. This increase in premium sales accounts for \$3,485,000 of the increase in this activity. An increase of \$4,654,000 is for a pro rata share of non-discretionary increases (non-salary costs) estimated at 3.5 percent.

Nature of Change. This activity primarily funds the administrative expense reimbursement to reinsured companies. During fiscal year 1988, the reinsured companies will handle over 54 million of the total 60 million insured acres, and will provide the farmers with over \$7.7 billion of crop insurance protection.

The following table reflects the cost and staff-year distribution of this activity for fiscal years 1987 and 1988:

Function	1987		1988		Change 1988 over 1987	
	Staff:		Staff:		Staff:	
	Years:	Cost	Years:	Cost	Years:	Cost
1. Reinsurance	:	:	:	:	:	:
Administrative	:	:	:	:	:	:
Expenses.....	0	\$144,035,000	0	\$147,571,000	0	+\$3,485,000
2. Other.(Prog.Adn).	20	973,000	20	1,026,000	0	+53,000
3. Non-Discretionary	:	:	:	:	:	:
Increase.....	0	0	0	4,654,000	0	+4,654,000
Total.....	20	145,059,000	20	153,251,000	0	+3,192,000

- 3) A net decrease of \$3,065,000 in the Administrative and Operating Expenses for agency sales and service agreements and loss adjustment contracts (\$25,109,000 available in 1987), consisting of:
- (a) An increase of \$257,000 to annualize 1987 pay costs absorbed in 1987, and an increase of \$550,000 to fund increased costs associated with the Federal Employees Retirement System.
 - (b) An increase of \$545,000 for nondiscretionary increases (increased operating costs estimated at 3.5 percent of all non-salary costs.)
 - (c) An increase of \$181,000 for the additional amount required for commissions on the slight increase in premiums estimated to be handled under the Agency Sales and Service Agreement.
 - (d) A decrease of \$3,083,000 is due largely to a further decrease in staff years required in fiscal year 1988 which reflects a continuing decline in the proportion of premium estimated to be handled under the Agency Sales and Service Agreement.

Need For Change. A lower amount of funds will be required in this activity in fiscal year 1988 due mainly to the projected decrease in staff-year requirements. The lower staff-year level is estimated due to the continuous decline in the premium level handled by master marketers over the past 6 years.

Nature of change. Since this activity funds administrative expenses directly related to the master marketing delivery system (Agency Sales and Service Agreements), and due to the continuous decline in the level of business to be handled by master marketers, the required funding level for this activity will be a net of \$3,065,000 lower than that required in fiscal year 1987.

- (e) A decrease of \$1,610,000 for loss adjustment contracts is due to the lower level of contractors estimated for the 1988 program.

The following table reflects the cost and staff-year distribution of this activity for fiscal years 1987 and 1988:

Function	1987		1988		Change 1988 over 1987	
	Staff:		Staff:		Staff:	
	Years:	Cost	Years:	Cost	Years:	Cost
1. Agency Sales and Service Agreements.....	0	\$ 7,505,000	0	\$7,686,000	0	+\$ 181,000
2. Loss adjustment contracts (IIMA's)	0	5,305,000	0	3,696,000	0	-1,610,000
3. Field Operations	413	12,190,000	300	9,909,000	-113	-2,281,000
4. Other (Prog. Admin)	2	108,000	2	108,000	0	0
5. Non-Discretionary Increase.....	0	0	0	645,000	0	+ 645,000
Total.....	415	25,109,000	302	22,044,000	-113	- 3,065,000

- (4) A net increase of \$182,000 in the Administrative and Operating Expenses for compliance (\$2,400,000 available in 1987).

Need for change. An increase of \$75,000 in the cost of the compliance activity results from a pro rata share of inflationary increases estimated at 3.5 percent of non-salary costs, and an increase of \$107,000 is for 1987 pay costs and the increased costs of the Federal Employees Retirement System.

Nature of change. This activity funds all compliance functions, which consists of reviews of the activities of the reinsured companies, master marketers, and FCIC loss adjustment contractors to assure compliance and uniformity in loss adjustment procedures, training development, quality control methods utilized, and, in general, all service operating facets of the crop insurance program.

The following table reflects the cost and staff-year distribution of this activity for fiscal years 1987 and 1988:

Function	1987		1988		Change 1988 over 1987	
	Staff:		Staff:		Staff:	
	Years:	Cost	Years:	Cost	Years:	Cost
1. Compl. functions...	40	\$2,400,000	40	\$2,507,000	0	\$107,000
2. Non-Discretionary Increases.....	0	0	0	75,000	0	+75,000
Total.....	40	2,400,000	40	2,582,000	0	+182,000

(5) A net decrease of \$4,845,000 in the Administrative and Operating Expenses for program management and administrative support (\$16,668,000 available in 1987), consisting of:

- (a) An increase of \$160,000 to annualize 1987 pay costs absorbed in 1987, and an increase of \$342,000 to fund increased costs associated with the Federal Employees Retirement System.
- (b) An increase of \$344,000 for nondiscretionary increases (increased operation costs estimated at 3.5 percent of all non-salary costs).
- (c) A decrease of \$5,591,000 due to a decrease in staff years required in fiscal year 1988 which is an indirect result of the continuous decline in premium estimated to be handled under the Agency Sales and Service Agreement.

Need for change. A lower amount of funds will be required in this activity in fiscal year 1988 due mainly to the projected decrease in staff-year requirements. The lower level of staff-year support is estimated due to the continuous decline in the premium level handled by master marketers over the past 6 years.

Nature of Change. This activity primarily funds all management and administrative support functions in both Washington, D.C. and Kansas City, Mo. Included are the following functions; the administration of agreements for the dual delivery systems, as well as the administrative support in finance, budget, management services, and personnel management for the Corporation.

Since much of this activity funds administrative expenses to support the master marketing delivery system (agency sales and service agreements), and due to the continuous decline in the level of business to be handled by master marketers, the required funding level for this activity can be decreased by \$4,845,000 below that required in fiscal year 1987.

The following table reflects the cost and staff-year distribution of this activity for fiscal years 1987 and 1988.

Function	1987		1988		Change 1988 over 1987	
	Staff:		Staff:		Staff:	
	Years:		Years:		Years:	
	Cost		Cost		Cost	
1. Headquarters.....	151 : \$ 9,495,000		100 : \$ 6,112,000		-51 : -\$3,383,000	
2. Kansas City.....	129 : 7,173,000		88 : 4,365,000		-41 : -2,308,000	
3. Other (Pay Cost & FERS.....)	0 : 0		0 : 502,000		0 : +502,000	
4. Non Discretionary Increase.....	0 : 0		0 : 344,000		0 : +344,000	
Total.....	280 : 16,668,000		138 : 11,823,000		-92 : -4,845,000	

Federal Crop Insurance Corporation
Summary of Proposed legislation

ADMINISTRATIVE AND OPERATING EXPENSES - PROPOSED LEGISLATION

Budget Estimate, Current Law, 1988.....	\$215,197,000
Change due to proposed legislation.....	-50,803,000
Net Request, President's 1988 Budget Request.....	<u>164,394,000</u>

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

<u>Item of Change</u>	1988		
	<u>Current Law</u>	<u>Program Changes</u>	<u>President's Request</u>
Underwriting, Actuarial and Program Development.....	\$25,497,000	-\$6,369,000	\$19,128,000
Reinsured Companies.....	153,251,000	-30,780,000	122,471,000
Agency Sales & Service Agreements and Loss Adjustment Contracts.....	22,044,000	-12,578,000	9,466,000
Compliance.....	2,582,000	-723,000	1,859,000
Program Management & Administrative Support.....	<u>11,823,000</u>	<u>-353,000</u>	<u>11,470,000</u>
Total Available.....	<u>215,197,000</u>	<u>-50,803,000</u>	<u>164,394,000</u>

Explanation of Proposed Legislation

Legislation will be proposed to increase the producer's share of premium cost in order to phase out Federal payment of administrative expenses and premium subsidy over a five-year period beginning in 1988. The objective is to fully privatize the delivery of crop insurance by 1992.

Under this proposal, administrative expenses will be phased out over the five-year period at 20% per year, beginning in F.Y. 1988. The total staff-years required, if proposed legislation were enacted for F.Y. 1988, is estimated at 275. This represents a decrease of 475 staff-years from F.Y. 1988 current legislation.

UNITED STATES DEPARTMENT OF AGRICULTURE

GEOGRAPHIC BREAKDOWNS OF OBLIGATIONS AND STAFF YEARS
1986 and Estimated 1987 and 1988

AGENCY: FEDERAL CROP INSURANCE CORPORATION

LOCATION	1986		1987		1988	
Appropriation Financial Project	Amount	Staff- Years	Amount	Staff- Years	Amount	Staff- Years
Administrative and Operating Expenses:						
ALABAMA.....	\$2,491,840	20	\$2,693,256	16	\$2,763,483	9
ALASKA.....	5,123	0	5,547	0	5,681	0
ARIZONA.....	182,912	3	198,064	2	202,852	2
ARKANSAS.....	4,107,377	13	4,447,619	10	4,555,135	6
CALIFORNIA.....	6,048,761	28	6,549,821	23	6,708,155	16
COLORADO.....	2,237,194	15	2,422,516	12	2,481,078	6
CONNECTICUT.....	49,664	1	53,777	1	55,077	1
DELAWARE.....	150,124	3	162,560	3	166,489	2
DISTRICT OF COLUMBIA..	10,672,743	148	11,557,839	148	11,849,527	148
FLORIDA.....	2,508,335	19	2,716,117	15	2,781,776	9
GEORGIA.....	4,938,303	31	5,347,376	26	5,476,643	18
IDAHO.....	1,035,342	13	1,121,106	11	1,143,208	8
ILLINOIS.....	5,738,138	28	6,213,467	21	5,363,670	12
INDIANA.....	3,687,447	19	3,992,903	14	4,089,427	9
IOWA.....	13,889,364	35	15,039,915	27	15,403,488	16
KANSAS.....	7,325,747	28	7,932,588	22	8,124,350	13
KENTUCKY.....	2,270,835	26	2,458,944	20	2,518,386	12
LOUISIANA.....	2,941,962	7	3,185,665	5	3,262,675	4
MAINE.....	577,815	10	625,679	8	640,804	4
MARYLAND.....	142,417	2	154,215	2	157,942	2
MASSACHUSETTS.....	53,270	1	57,683	1	59,078	1
MICHIGAN.....	613,796	3	664,540	2	680,707	2
MINNESOTA.....	7,534,206	38	8,153,315	30	8,355,534	19
MISSISSIPPI.....	4,400,720	15	4,812,535	12	5,491,800	8
MISSOURI.....	40,684,733	289	44,054,927	281	45,119,905	268
MONTANA.....	14,718,001	32	15,937,193	25	16,322,457	14
NEBRASKA.....	10,561,027	29	11,435,869	22	11,712,313	13
NEVADA.....	854	0	925	0	947	0
NEW HAMPSHIRE.....	1,708	0	1,849	0	1,894	0
NEW JERSEY.....	57,005	2	72,555	2	74,309	2
NEW MEXICO.....	364,089	3	394,249	2	403,780	1
NEW YORK.....	167,537	2	181,415	2	185,800	1
NORTH CAROLINA.....	5,667,532	42	6,137,012	34	6,285,368	22
NORTH DAKOTA.....	10,867,705	34	11,767,951	27	12,052,429	18
OHIO.....	1,740,809	11	1,885,012	9	1,930,580	5
OKLAHOMA.....	2,790,107	18	3,021,231	14	3,094,266	9
OREGON.....	588,846	5	637,624	4	653,038	3
PENNSYLVANIA.....	347,517	6	376,412	6	335,512	5
RHODE ISLAND.....	10,055	0	10,888	0	11,151	0
SOUTH CAROLINA.....	2,352,446	15	2,547,315	13	2,608,894	8
SOUTH DAKOTA.....	3,137,030	20	3,396,892	16	3,479,008	9
TENNESSEE.....	682,528	9	739,066	7	756,932	5
TEXAS.....	10,186,024	43	11,029,802	35	11,296,435	22
UTAH.....	143,826	2	155,740	1	159,505	1
VERMONT.....	32,232	1	34,901	1	35,745	1
VIRGINIA.....	1,785,067	17	1,932,936	15	1,979,662	11
WASHINGTON.....	1,722,926	13	1,865,648	11	1,910,748	7
WEST VIRGINIA.....	41,446	1	44,879	1	45,964	1
WISCONSIN.....	784,267	4	849,233	4	869,762	3
WYOMING.....	431,578	2	467,329	2	478,626	2
TOTAL ADMINISTRATIVE & OPERATING EXPENSE	\$193,480,430	1,107	\$209,556,000	965	\$215,197,000	760

FEDERAL CROP INSURANCE CORPORATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Federal Crop Insurance Corporation Fund

For payments as authorized by section 508(b) of the Federal Crop Insurance Act, as amended, [\$135,743,000] \$284,823,000.

FEDERAL CROP INSURANCE CORPORATION FUND - CURRENT LAW

Appropriation Act, 1987.....	\$135,743,000
Budget Estimate, Current Law, 1988.....	284,823,000
Increase in Appropriation.....	<u>+149,080,000</u>

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>1987 Estimated</u>	<u>Program Changes</u>	<u>1988 Estimated</u>
FCIC FUND:			
1. Premium Subsidy.....	\$124,034,000	+\$104,489,000	\$228,523,000
2. Interest Expense Reimbursement..	11,709,000	+44,591,000	56,300,000
Total, FCIC Fund.....	<u>135,743,000</u>	<u>+149,080,000</u>	<u>284,823,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

	: 1986 Actual	:	: 1987 Estimated	:	: Increase	:	: 1988 Estimated
	: Amount	: SY:	: Amount	: SY:	: or	:	: Amount
					: Decrease		: SY
FCIC FUND:	:	:	:	:	:	:	:
1. Premium	:	:	:	:	(1)	:	:
Subsidy..	:\$134,190,000:---	:	:\$124,034,000:---	:	+\$104,489,000:	\$228,523,000	:---
2. Interest	:	:	:	:	:	:	:
Expense	:	:	:	:	:	:	:
Reimburse-	:	:	:	:	(2)	:	:
ment....	---:---	:	11,709,000:---	:	+44,591,000:	56,300,000	:---
Total, FCIC	:	:	:	:	:	:	:
Fund	: 134,190,000:---	:	135,743,000:---	:	+149,080,000:	284,823,000	:---

Explanation of Program

The Federal Crop Insurance Act of 1980, as amended, authorizes the payment of up to 30 percent of the adjusted insurance premium of each producer participating in the program. Subsidies will be paid by the Corporation based upon 30 percent of the risk premium (reduced, where applicable, for hail and fire exclusion) on any coverage under the Corporation's policy of insurance of up to a maximum of 65 percent of the recorded or appraised yield, and encourage the broadest possible participation of agricultural producers in the program.

The Act also provides for reimbursement to the Corporation for expenses, including expenses incurred during prior years, but not previously reimbursed. The \$56,300,000 requested is for interest expenses incurred in 1987 on Treasury borrowing of \$113 million (\$11,300,000) and on CCC borrowings of \$450 million (\$45,000,000).

The extreme weather conditions of 1935 and 1936 crops resulted in a large cash drain on the Corporation's revolving fund. Therefore, the Corporation is proposing to exercise its new authority recently provided in the 1985 Farm Bill to use the funds of the Commodity Credit Corporation. The Corporation currently estimates that not to exceed \$375 million will be requested in fiscal year 1987.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$104,489,000 for premium subsidy (\$124,034,000 available in F.Y. 1987).

Need for change. The Federal Crop Insurance Act, as amended, authorizes the Corporation to subsidize producers' premiums. The purpose of the subsidy is to encourage the broadest possible participation of farm producers in the crop insurance program.

Nature of Change. This appropriation will provide funding to cover the federal subsidy for producer premiums incurred in the preceding crop year at 100 percent, and for the current crop year at 75 percent. The F.Y. 1987 appropriation covered premium subsidy for the preceding crop year (1986) at 100 percent.

Beginning in F.Y. 1988, the Corporation will institute a major change in its accounting and budgeting systems for the FCIC Fund as a whole. As directed by GAO, and to bring its financial statements into conformance with generally accepted accounting principles, including Financial Accounting Standards Board Statement No. 60, the Corporation will match revenues and expenses in its financial statements, and will include these amounts in the fiscal year in which they were earned or incurred. The Corporation historically deferred all income and losses of the current crop year for inclusion in the following fiscal year.

F.Y. 1988 is a "catch-up" year in order to comply with FASB 60. Subsequent fiscal year requests for premium subsidy will include approximately 25% of the preceding crop year and 75% of the current crop year.

- (2) An increase of \$44,591,000 for interest expense reimbursement (\$11,709,000 available in F.Y. 1987).

Need for Change. The FCI Act allows for reimbursement to the Corporation for interest obligations incurred during prior years, but not previously reimbursed.

Nature of Change. This increase is necessary to reimburse the Corporation's revolving fund for interest expenses which were paid from premium income (i.e., FCIC Fund) in prior years but not previously reimbursed. The amount requested is estimated at \$11,300,000 (interest on Treasury borrowing of \$113 million), and \$45,000,000 (interest on CCC borrowing of \$450 million).

Federal Crop Insurance Corporation
Summary of Proposed Legislation

FEDERAL CROP INSURANCE CORPORATION FUND - PROPOSED LEGISLATION

Budget Estimate, Current Law, 1988.....	\$284,823,000
Change due to proposed legislation.....	<u>-105,940,000</u>
Net Request, President's 1988 Budget Request.....	<u>\$178,883,000</u>

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

<u>Item of Change</u>	<u>Current Law</u>	<u>1988 Program Changes</u>	<u>President's Request</u>
FCIC FUND:			
1. Premium Subsidy.....	\$228,523,000	-\$49,640,000	\$178,883,000
2. Interest Expense Reimbursement....	<u>56,300,000</u>	<u>-56,300,000</u>	<u>0</u>
Total, FCIC Fund.....	<u>284,823,000</u>	<u>-105,940,000</u>	<u>178,883,000</u>

Explanation of Proposed Legislation

The program for 1988 is the first year of a proposed five-year phase-out of all Federal premium subsidy and also the first year in which it is proposed that a portion of the administrative and operating expenses be paid from producer premium in the FCIC Fund.

UNITED STATES DEPARTMENT OF AGRICULTURE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1986 and estimated 1987 and 1988

AGENCY: FEDERAL CROP INSURANCE CORPORATION

LOCATION	1986		1987		1988	
	-----		-----		-----	
Appropriation		Staff-		Staff-		Staff-
Financial Project	Amount	Years	Amount	Years	Amount	Years
<u>UNDISTRIBUTED</u>						
Federal Crop Insurance						
Crop Insurance Fund:						
Premium Subsidy....	\$134,190,000	---	\$124,034,000	---	\$228,523,000	---
All other.....	953,744,000	---	671,494,000	---	602,756,000	---
TOTAL, FCIC FUND	\$1,087,934,000*	---	\$795,528,000*	---	\$831,279,000*	---

* Because of the unpredictability of the location of sales and losses, it is impractical to estimate the State cost distribution at this time.

FARMERS HOME ADMINISTRATION

Purpose Statement

The Farmers Home Administration was established November 1, 1946, by the Farmers Home Administration Act of 1946. Farmers Home Administration's program activities include:

FARMER PROGRAMS:

Farm ownership loans - are made to borrowers who are or will be owner operators of a not larger than family-size farm and who cannot obtain credit elsewhere to improve or acquire farms, refinance debts, finance non-farm enterprises, or make additions to farms. The interest rate for insured loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to 1 percent additional. However, loans to limited resource borrowers bear interest of not more than one-half of the cost-of-money but not less than 5 percent per year and will be increased when periodic reviews indicate a borrower is able to pay an increased rate up to the cost-of-money rate. The applicable interest rate is increased by 2 percent if the project being financed involves the use of prime farmland for non-farm purposes. The interest rate for guaranteed loans is negotiated by the lender and borrower.

Operating loans - provide short-to-intermediate term production or chattel credit to farmers who are or will be the operators of a not larger than family-size farm and who cannot obtain credit elsewhere. Loan terms include a repayment period not to exceed 7 years but may be rescheduled for up to 15 additional years. The interest rate for insured loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to 1 percent additional. However, loans to limited resource borrowers bear interest at a rate 3 percent below the cost-of-money and will be increased when periodic reviews indicate a borrower is able to pay an increased rate up to the cost-of-money rate. The interest rate is increased by 2 percent if the project being financed involves the use of prime farmland for non-farm purposes. The interest rate for guaranteed loans is negotiated by the lender and borrower.

Emergency disaster loans - are made to farmers in counties declared as emergency disaster areas or in contiguous counties to restore production. A farmer who cannot get credit elsewhere is eligible for an actual loss loan of up to \$500,000 per disaster at an interest rate of 4.5 percent.

Soil and water loans - made to farmers, ranchers and non-operator owners for land and water development, use, and conservation. Loans are repayable in not more than 40 years. The interest rate for insured loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to 1 percent additional. The interest rate is increased by 2 percent if the project being financed involves the use of prime farmland for non-farm purposes. Guaranteed loans bear an interest rate negotiated by the lender and the borrower.

Indian tribe land acquisition loans - are made to qualified Indian tribes or tribal corporations to acquire land or interest in land within the tribe's reservation or Alaskan Indian community, as determined by the Secretary of the Interior. The interest rate is determined by the Secretary of Agriculture. It does not exceed the cost-of-money to the Government except that those tribes that are unable to pay the higher rate currently may be charged a lower interest rate. Loans are repayable in not more than 40 years.

HOUSING PROGRAMS:

Section 502 - Subsidized housing loans - are made to repair or purchase new or existing housing in order to provide very low-income and low-income rural residents who cannot obtain credit elsewhere, with a modest, safe, and sanitary single family dwelling at rates and terms they are able to afford. Families are eligible who meet certain criteria and qualify for interest credit which reduces the effective interest rate for the borrower to as low as 1 percent. Loans are repayable normally over 33 years or 38 years under certain conditions. Not less than 40 percent of the funds approved are to be set aside for very low-income families or persons, and not less than 30 percent of the funds allocated to each State shall be available for very low-income families or persons.

Section 502 - Nonsubsidized housing loans - there are no funds available for new borrowers to purchase new or existing housing; however, loans may be made to pay equity and make repairs in connection with transfers, repairs and renovation to existing borrower dwellings and repairs to suitable inventory dwellings in connection with a credit sale. This credit is made available to those who cannot get credit elsewhere. The interest rate charged the borrower is based on Treasury's cost-of-money and the term for repayment is normally 33 years.

Section 515 - Rural rental and cooperative housing loans - are made to individuals, corporations, associations, State or local public agencies, trusts, or partnerships to provide moderate cost rental or cooperative housing and related facilities for elderly persons and other persons of low-income or moderate-income in rural areas. These loans are repayable in not more than 50 years, and the interest rate to the borrower is based on Treasury's cost-of-money with provisions for interest reductions under certain circumstances. These loans, with the exception of loans to State or local public agencies, are made only if the need for necessary housing cannot be met with financial assistance from other sources.

Section 521 - Rural rental assistance payments - are made to owners of rental projects in order to make housing affordable to very low-income and low-income occupants at rates commensurate to their incomes. Rental rates are not to exceed the highest of (1) 30 percent of the monthly adjusted income, (2) 10 percent of monthly income, (3) the portion of the welfare assistance payments specifically designated for housing costs in the case of a person or a family receiving such assistance.

Section 504 - Very low-income housing repair grants - carry a lifetime assistance limitation by the Secretary of up to \$5,000. Grants are made to very low-income persons who are 62 years of age or older, or who are handicapped or disabled and unable to repay a loan. Grants are made to make necessary repairs to their dwellings in order to make them safe and remove health hazards to the families or the community.

Section 504 - Very low-income housing repair loans - carry a lifetime assistance limit for loans or combination of loans and grants of not to exceed \$7,500. Loans are made at a 1 percent interest rate for not more than 20 years to very low-income persons. These loans are to repair or improve their dwellings in order to make them safe and sanitary or to remove health hazards to the families or the community.

Section 514 - Rural housing for domestic farm labor loans - are made to farmowners, to public or private nonprofit organizations, or to nonprofit organizations of farmworkers to provide modest living quarters, basic household furnishings, and related facilities. These loans are repayable in not more than 33 years and bear interest not in excess of 1 percent except under certain circumstances when the interest rate limitation may be waived by the Secretary in order to provide housing and related facilities for migrant domestic farm laborers. Loans to organizations may be made simultaneously with farm labor housing grants and are made only if the necessary housing cannot be provided with financial assistance from other sources.

Section 516 - Rural housing for domestic farm labor grants - are made to public or broad-based private nonprofit organizations, States or political subdivisions, or nonprofit organizations of domestic farmworkers. Grant assistance, not to exceed 90 percent of the total development costs, is provided for new construction or rehabilitation of existing buildings suitable for dwelling use by domestic farm labor. Funds also may be used for essential related facilities such as dining halls, community rooms or buildings, infirmaries or other essential services, including basic household furnishings. These grants may be made simultaneously with domestic farm labor housing loans.

Section 524 - Rural housing site loans - are made for purchase and development of land to be subdivided into building sites and sold on a nonprofit basis to low-income and moderate-income families or to organizations for rental or cooperative housing. Insured loans are made for a 2-year period at an interest rate based on Treasury's cost-of-money.

Section 523 - Mutual and self-help housing grants - are especially designed to aid the development of mutual or self-help housing programs under which groups of families build their own homes by mutually exchanging labor. Grants are used to provide technical and supervisory assistance to families who build their homes by the self-help method.

Section 509 - Compensation for construction defects - payments are made to eligible Section 502 borrowers to pay for making structural repairs on newly constructed dwellings built or purchased as approved by the Agency. The assistance must be requested by the owner of the property within 18 months after the loan is closed or final construction inspection is made. The builder would continue to bear primary responsibility under this contract to assure that the dwellings meet acceptable standards.

Section 533 - Housing preservation grants - are made to eligible private groups, Indian tribes, or Government agencies for the rehabilitation of single family housing owned by low-income and very low-income families, the rehabilitation of rental cooperative housing for low-income and very low-income families, the rehabilitation of rental and cooperative housing for low-income and very low-income families, and to provide assistance payments as provided by Section 8 of the Housing Act of 1937 to minimize the displacement of very low-income tenants residing in units rehabilitated under the grant program.

COMMUNITY PROGRAMS:

Community facility loans - are insured loans authorized to be made to public, quasi-public, and nonprofit associations and to certain Indian tribes for essential community facilities including necessary related equipment. Loans are repayable in not more than 40 years. These loans bear interest not in excess of the current market yield for comparable term municipal obligations. Those loans, made in areas where the median household income falls below the higher of 80 percent of the statewide nonmetropolitan median household income or the poverty level and the project is needed to meet health or sanitary standards, bear interest not in excess of 5 percent. An intermediate rate based on the poverty rate plus one-half the difference between 5 percent and the market rate, with a ceiling of 7 percent, will apply for those projects that do not meet the requirements for the 5 percent interest rate but are located in areas where the median household income does not exceed 100 percent of the statewide nonmetropolitan median household income. Loan recipients also have their choice between the interest rate in effect at the time of loan approval or loan closing. An additional 2 percent is added to the interest rate if projects are built on prime farmland, unless the borrower is a public body and there are no suitable optional sites.

Water and waste disposal loans - are insured loans authorized to be made to public, quasi-public, and nonprofit associations, and to certain Indian tribes for development, replacement, or upgrading of water systems and waste disposal systems. These loans are repayable in not more than 40 years. These loans bear interest not in excess of the current market yield for comparable term

municipal obligations. Those loans, made in areas where the median household income of the service area falls below the higher of 80 percent of the statewide nonmetropolitan median household income or the poverty level and the project is needed to meet health or sanitary standards, bear interest not in excess of 5 percent. An intermediate rate based on the poverty rate plus one-half the difference between 5 percent and the market rate, with a ceiling of 7 percent, will apply for those projects that do not meet the requirements for the 5 percent interest rate but are located in areas where the median household income does not exceed 100 percent of the statewide nonmetropolitan median household income.

Water and waste disposal grants - are authorized to be made to public, quasi-public, and nonprofit associations, and to certain Indian tribes for development, storage, treatment, purification, and distribution of water or the collection, treatment, or disposal of waste in rural areas. Grants are used for water and waste disposal projects servicing the most financially needy communities to reduce user costs to a reasonable level for farmers, ranchers, and other rural residents. Grants may be made to communities that have a median household income below the poverty line or not more than 85 percent of the State's nonmetropolitan median household income. Grant rates are based on a graduated scale providing higher rates for projects in communities that have lower community population and income levels but may not exceed 75 percent of the development costs of the project. In addition, P.L. 99-198, the Food Security Act of 1985, provided that not less than 1 percent nor more than 2 percent of the water and waste disposal grant funds appropriated each year be made available for technical assistance and training of eligible grantee associations.

Business and industrial loans - are guaranteed loans authorized to be made to public, private, or cooperative associations organized for profit or nonprofit, to certain Indian tribes or tribal groups, corporate entities, or to individuals for the purpose of improving, developing, or financing business, industry, and employment, and improving the economic and environmental climate in rural communities. These guaranteed loans are made at rates agreed upon by the borrower and lender with a maturity of 7, 15, or 30 years depending on the collateral offered, and a maximum of \$10 million (\$20 million for alcohol fuels production loans) per loan.

Watershed works of improvement and flood prevention loans - are made to local sponsors of projects approved for operation by the Soil Conservation Service. Loans are made to local organizations for installing, repairing, or improving watersheds and water storage facilities, purchasing sites or rights-of-way, and related costs. These loans are repayable in not more than 50 years at an interest rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity. Total loans outstanding on any one project may not exceed \$10 million.

Resource conservation and development loans - are made to local sponsors of projects approved for operation by the Soil Conservation Service. Loans are made to local organizations for planned conservation measures and works of improvement as specified in approved work plans. These loans are repayable in not more than 30 years at an interest rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity.

Other rural development grants - are provided from funds transferred from the Appalachian Regional Commission and other Federal organizations for cooperative efforts in rural development. The funded projects focus on basic needed facilities essential to the region's growth and economic development.

General - In fiscal year 1987, the budgeted lending programs will be comprised of insured and guaranteed loans. The term "insured" is defined as loans made from the revolving funds, which are held in a pool as security for certificates of beneficial ownership that are sold to investors. Presently, all certificates of beneficial ownership are being sold to the Federal Financing Bank. The purchaser's investment is fully insured by the Government against any loss of either principal or interest. Generally, no insured loan

is made to anyone who can secure adequate credit from other sources at reasonable rates and terms. The Rural Development Act of 1972 authorized financial assistance to be provided to borrowers by guaranteeing loans made by a Federal or State chartered bank, savings and loan association, cooperative lending agency, or approved lending institution.

The term "guarantee" is defined as "to guarantee the payment of a loss on a loan originated, held, and serviced by a private financial agency or other lender approved by the Secretary." Technical guidance in planning and carrying out sound operations is provided to borrowers on the basis of their individual problems and needs.

As of September 30, 1986, FmHA's portfolio was in excess of 1.9 million loans with principal indebtedness of more than \$70 billion. FmHA administers its programs through the Washington Headquarters, 46 State Offices, a National Finance Office in St. Louis, Missouri, and approximately 2,300 district and county offices utilizing the services of about 3,000 supervisors and 5,000 local committeemen. As of September 30, 1986, there were 14,946 FmHA employees, of which 10,989 were full-time employees in permanent positions. Of these, 498 PFT and 26 others were based in Washington and 10,491 PFT and 3,931 others were in the field.

Available Funds and Staff Years, 1986 and Estimated 1987 and 1988

(Note: The following table reflects appropriations and transfers from other agencies.)

Item	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Farmers Home Administration						
Rural Housing insurance fund:						
Reimbursement for interest subsidies and losses.....	1,832,863,000:	--	2,296,283,000:	--	2,964,249,000:	--
Rural rental assistance reimbursement.....	145,232,452:	--	179,524,000:	--	160,357,000:	--
Subtotal, rural housing insurance fund.....	1,978,095,452:	--	2,475,807,000:	--	h/:	--
Agricultural credit insurance fund:						
Reimbursement for interest subsidies and losses.....	1,078,243,000:	--	1,323,403,000:	--	h/:	--
Rural development insurance fund:						
Reimbursement for interest subsidies and losses.....	556,627,000:	--	656,645,000:	--	h/:	--
Self help land development fund.....	1,000,000:	--	--	--	--	--
Rural water and waste disposal grants.....	109,395,000:	--	109,395,000:	--	--	--
Rural community fire protection grants.....	3,091,000:	--	3,091,000:	--	--	--
Rural Housing for Domestic Farm Labor.....	9,513,000:	--	9,513,000:	--	--	--
Mutual and self-help housing grants.....	7,610,000:	--	8,000,000:	--	--	--
Very low income housing repair grants	13,891,000:	--	12,500,000:	--	--	--
Compensation for construction defects.....	713,000:	--	713,000:	--	--	--
Rural housing preservation grants.....	19,140,000:	--	19,140,000:	--	--	--
Rural development finance corporation grants.....	14,263,668:	--	14,263,668:	--	--	--
Salaries and Expenses:						
Direct appropriation.....	357,004,000:)		394,545,000:)		411,145,000:)	
Transfer from ACIF.....	957,000:)	10,291:	1,000,000:)	10,873:	1,000,000:)	10,226
Transfer from ACIF and RHIF.....	-- :)		3,000,000:)		3,000,000:)	
Subtotal, salaries and expenses.....	357,961,000:	10,291:	398,545,000:	10,873:	415,145,000:	10,226
Total.....	4,149,543,120:	10,291:	5,031,015,668:	10,873:	8,022,586,000:	10,226

Available Funds and Staff Years, 1986 and Estimated 1987 and 1988-Continued

Item	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Other obligations under Farmers Home Administration accounts:						
Agricultural credit insur- ance fund (emergency loan programs administrative funds)	\$67,830,000:	2,265:	\$75,920,000:	2,326:	\$62,961,000:	2,010:
<u>Obligations under other USDA appropriations:</u>						
Soil Conservation Service:						
Watershed protection & flood prevention.....	499,500:	17:	255,000:	9:	--:	--:
Resource conservation and development	113,900:	4:	75,000:	3:	--:	--:
Total, Soil Conservation Service.....	613,400:	21:	330,000:	12:	--:	--:
Miscellaneous reimbursements:						
Agricultural Service Centers.....	172,543:	--:	531,000:	--:	531,000:	--:
Total, Agricultural Appropriations.....	4 218,159,063:	12,577:	5,107,796,668:	13,211:	8,086,078,000:	12,236:
Other Federal Funds:						
Other program funds from Federal sources:						
Appalachia Regional Devel- opment Program Grants.....	11,246,324:	--:	12,000,000:	--:	--:	--:
Total, other program funds.....	11,246,324:	--:	12,000,000:	--:	--:	--:
Other administrative funds from Federal sources:						
Appalachia Regional Conser- vation Program and Econom- ic Development Administra- tion.....	69,210:	2:	65,000:	2:	65,000:	2:
Sales of Property through GSA	7,519:	--:	8,000:	--:	8,000:	--:
Miscellaneous Receipts (health: clinic, jury duty, etc.)....	29,490:	--:	31,000:	--:	31,000:	--:
Total, other administra- tive funds.....	106,219:	2:	104,000:	2:	104,000:	2:
Total, other funds.....	11,352,543:	2:	12,104,000:	2:	104,000:	2:
Total, Farmers Home Administration.....	4,229,511,606:	12,579:	5,119,900,668:	13,213:	8,086,182,000:	12,238:

Available Funds and Staff Years, 1986 and Estimated 1987 and 1988 - Continued

	<u>1986 Actual</u>	<u>1987 Estimated</u>	<u>1988 Estimated</u>
Full time Equivalent Staff-Years:			
Ceiling.....	12,133	12,675	11,700
Non Ceiling	446	538	538
Total.....	<u>12,579</u>	<u>13,213</u>	<u>12,238</u>

- a/ In addition, \$2,327,344 of unobligated balances and \$9,185,727 of recoveries from prior year appropriations were available in 1986.
- b/ In addition, \$1,589,885 of unobligated balances will be made available in 1987.
- c/ In addition, \$249,026 of unobligated balances and \$1,396,368 of recoveries from prior year appropriations was available in FY 1986.
- d/ In addition, \$303,674 of unobligated balances will be made available in FY 1987.
- e/ In addition, \$2,563,914 of unobligated balances and \$1,084,319 of recoveries was available in FY 1986.
- f/ In addition, \$5,403,815 of unobligated balances will be made available in FY 1987.
- g/ Reappropriation of amounts previously available.
- h/ Includes funds to reimburse FY 1984 and 1985 losses that were not reimbursed in FY 1986 and FY 1987.
- i/ Made available by P.L. 99-198, the Food Security Act of 1985.
- j/ Authority for the grants is extended under P.L. 99-425, therefore, the unobligated balance of \$14,263,668 will be made available in FY 1987.

FARMERS HOME ADMINISTRATION
Permanent Positions by Grade and Staff-Year Summary
1986 and Estimated 1987 and 1988

Grade	1986				1987				1988			
	Head- quarters	Field	Total	Head- quarters	Field	Total	Head- quarters	Field	Total	Head- quarters	Field	Total
Executive Level V	1	--	1	1	--	1	1	--	1	1	--	1
ES-6	1	--	1	1	--	1	1	--	1	1	--	1
ES-5	3	--	3	3	--	3	3	--	3	3	--	3
ES-4	2	1	3	2	1	3	2	1	3	2	1	3
ES-3	2	--	2	2	--	2	2	--	2	2	--	2
ES-2	1	--	1	1	--	1	1	--	1	1	--	1
ES-1	2	--	2	2	--	2	2	--	2	2	--	2
GS/GM-15	32	48	80	32	48	80	32	48	80	32	48	80
GS/GM-14	61	18	79	61	18	79	61	18	79	61	18	79
GS/GM-13	108	440	548	108	440	548	108	440	548	108	440	548
GS-12	62	1,490	1,552	68	1,532	1,600	62	1,435	1,497	62	1,435	1,497
GS-11	37	1,276	1,313	41	1,313	1,354	38	1,225	1,263	38	1,225	1,263
GS-10	1	3	4	1	3	4	1	3	4	1	3	4
GS-9	30	1,300	1,330	33	1,339	1,372	30	1,250	1,280	30	1,250	1,280
GS-8	11	143	154	11	148	159	11	138	149	11	138	149
GS-7	44	1,050	1,094	49	1,079	1,128	45	1,009	1,054	45	1,009	1,054
GS-6	39	1,130	1,169	43	1,162	1,205	40	1,085	1,125	40	1,085	1,125
GS-5	32	2,298	2,330	35	2,369	2,404	33	2,209	2,242	33	2,209	2,242
GS-4	34	1,016	1,050	38	1,045	1,083	34	977	1,011	34	977	1,011
GS-3	7	465	472	8	479	487	7	447	454	7	447	454
GS-2	3	45	48	3	47	50	3	44	47	3	44	47
GS-1	--	3	3	--	3	3	--	3	3	--	3	3
Ungraded positions	4	5	9	4	5	9	4	5	9	4	5	9
Total Permanent Positions	517	10,731	11,248	547	11,031	11,578	521	10,307	10,828	521	10,307	10,828
Staff Years:												
Ceiling	526	11,607	12,133	556	12,119	12,675	530	11,170	11,700	530	11,170	11,700
Non-Ceiling	18	428	446	20	518	538	20	518	538	20	518	538
Total 1/	544	12,035	12,579	576	12,637	13,213	550	11,688	12,238	550	11,688	12,238

1/ Staff-Years of overtime included: 1986, 164; 1987, 205; 1988, 180.

FARMERS HOME ADMINISTRATION

CLASSIFICATION BY OBJECTSFY 1986 and Estimated FY 1987 and FY 1988

Personnel Compensation:	<u>FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>
Headquarters	\$ 15,453,000	\$ 15,830,000	\$ 15,945,000
Field	<u>221,926,000</u>	<u>240,401,000</u>	<u>231,182,000</u>
11 Total personnel compensation	237,379,000	256,231,000	247,127,000
12 Personnel benefits	35,343,000	41,653,000	56,854,000
13 Benefits for former personnel ...	<u>892,637</u>	<u>898,000</u>	<u>938,000</u>
Total personnel compensation and benefits	273,614,637	298,782,000	304,919,000
Other Objects:			
21 Travel	13,807,000	18,177,000	19,735,000
22 Transportation of things	1,762,000	1,784,000	1,974,000
23.2 Rental payments to others	11,955,000	13,300,000	14,769,000
23.3 Communications, utilities and miscellaneous charges	24,806,000	27,168,000	30,352,000
24 Printing and reproduction	5,393,000	4,661,000	5,318,000
25 Other services	18,764,000	26,420,000	29,397,000
26 Supplies and materials	2,536,000	5,890,000	6,389,000
31 Equipment	2,518,044	2,068,000	2,079,000
41 Grants, subsidies and contributions	172,346,000	169,650,000	378,130,000
42 Insurance claims and indemnities	112,418	266,000	183,000
43 Interest and dividends	<u>10,692</u>	<u>29,000</u>	<u>30,000</u>
Total other objects	<u>254,010,154</u>	<u>269,413,000</u>	<u>488,356,000</u>
Total direct obligations	<u>527,624,791</u>	<u>568,195,000</u>	<u>793,275,000</u>

Position Data:

Average Salary, ES positions	\$67,500	\$69,525	\$69,525
Average Salary, GS positions	\$23,150	\$23,815	\$23,845
Average Grade, GS Positions	7.82	7.81	7.82

	September 30, 1985				September 30, 1986			
	All Borrowers		Borrowers Delinquent		All Borrowers		Borrowers Delinquent	
	Number	Amount of Loans Outstanding	Number	% of Del	Number	Amount of Loans Outstanding	Number	% of Del
Agricultural Credit Insurance Fund								
Individual Loans:								
Farm Ownership 1/.....	126,270	\$7,501,244	26,352	21	347,913	5		5
Farm Operating 1/.....	133,811	6,163,572	38,385	29	822,975	13		16
Recreation.....	210	13,325	53	25	1,270	10		11
Emergency Disaster.....	121,709	9,862,154	47,276	39	3,656,469	37		41
Economic Emergency.....	56,605	4,140,072	24,245	43	963,102	23		27
Soil and Water.....	16,441	302,120	4,465	27	33,564	11		12
Association Loans:								
Irrigation and Drainage.....	192	17,849	17	9	764	4		6
Grazing.....	253	59,361	15	6	1,920	3		5
Recreation.....	619	64,652	22	4	415	1		1
Indian Tribe Land Acquisition.....	29	83,501	2	7	199	0		1
Soil Conservation Service Loans:								
Watershed Protection and Flood Prevention.....	257	75,433	5	2	436	1		1
Resource Conservation and Development.....	146	15,325	9	6	348	2		3
Total, ACIF.....	456,542	28,298,608	140,846	31	5,829,375	21		23
Rural Housing Insurance Fund								
Low to Mod.-Income Hous. Loans:								
Repair (Section 504).....	28,489	61,900	3,343	12	637	1		1
General Purpose (Sec. 502):								
Interest Credit.....	400,708	12,666,197	88,223	22	53,896	0		0
Non-Interest Credit.....	563,355	9,685,492	104,790	19	182,417	2		2
Above Moderate-Income Housing Loans (Section 502).....	11,260	145,446	1,352	12	1,879	1		1
Domestic Farm Labor Loans (Section 514) 5/.....	1,205	122,954	146	12	1,476	1		
Rental or Cooperative Loans (Section 515) 5/.....	10,914	6,080,462	256	2	8,772	0		
Site Loans (Sec. 523 & 524) 2/ 5/.....	18	1,045	6	33	1,033	99		
Total, RHIF.....	1,015,949	\$28,763,496	198,116	20	250,110	1		1

13-12

1/Includes non-farm enterprise loans.
2/Activity for Section 523 Site Loans is part of the Self-Help Land Development Fund.
3/FmHA is responsible only for servicing on Equal Opportunity Loans, the last of which were made in 1974.
4/Totals do not always add because of rounding.
5/Due to computer system change over, this information is not currently available.

Report on Acquired Property
September 30, 1986

Program Type	Collateral Inventory as of 9/30/83		Collateral Inventory as of 9/30/84		Collateral Inventory as of 9/30/85		Collateral Inventory as of 9/30/86	
	Number of Properties	Value of Properties	Number of Properties	Value of Properties	Number of Properties	Value of Properties	Number of Properties	Value of Properties
<u>Agricultural Credit Insurance</u>								
Fund:								
Farm Ownership.....	1,101	100,534,645	1,655	179,860,651	2,304	310,980,196	2,859	382,131,834
Nonfarm Enterprise.....	13	921,735	21	1,355,459	16	1,601,228	18	1,214,089
Operating Loans.....	692	20,023,412	1,087	36,509,130	1,020	41,649,381	1,171	50,124,978
Soil and Water - Individuals...	165	4,670,097	288	8,891,913	357	12,045,800	448	14,996,383
Recreation Associations.....	10	1,671,243	11	1,249,879	4	782,278	3	439,412
Emergency.....	1,102	127,823,153	1,838	271,524,512	2,248	370,218,157	2,633	454,838,783
Economic Emergency.....	848	95,316,008	1,456	162,769,357	1,722	226,424,829	1,982	269,722,819
Other.....	6	1,014,030	12	1,345,157	8	1,425,940	8	1,063,868
<u>Rural Housing Insurance Fund:</u>								
Rural Housing - Individuals.....	14,772	374,380,071	17,240	472,136,957	17,229	547,998,661	18,012	615,625,336
Rural Rental Housing.....	21	3,039,237	15	2,245,440	3	208,804	2	208,804
Farm Labor Housing.....	6	407,610	7	447,623	0	0	0	0
Rural Housing Site.....	8	1,236,254	12	1,224,646	6	232,072	4	233,671
Total FmHA.....	18,744	731,037,495	23,642	1,139,560,724	24,917	1,513,567,346	27,140	1,790,599,977

FARMER'S HOME ADMINISTRATION
SUMMARY OF PROGRAM LEVELS: FY 1986-1988
(NUMBER OF LOANS/GRANTS; DOLLARS IN THOUSANDS)

	FY 1986 NUMBER	ACTUAL AMOUNT	FY 1987 NUMBER	ESTIMATE AMOUNT	FY 1988 NUMBER	CURRENT LAW AMOUNT
AGRICULTURAL CREDIT INSURANCE FUND						
INSURED FARM OWNERSHIP LOANS	4,032	\$371,389	790	\$75,000	1,325	\$130,000
GUARANTEED FARM OWNERSHIP LOANS	1,265	192,018	2,080	325,000	2,410	390,000
INSURED FARM OPERATING LOANS	49,474	2,203,165	31,100	1,425,000	18,345	870,000
GUARANTEED FARM OPERATING LOANS	14,772	1,367,287	22,785	2,170,000	26,480	2,610,000
EMERGENCY DISASTER LOANS	5,584	217,774	7,350	295,000	14,445	600,000
INSURED SOIL AND WATER LOANS	279	4,639	642	11,000	0	0
GUARANTEED SOIL AND WATER LOANS	6	266	65	3,000	0	0
INDIAN LAND ACQUISITION LOANS	2	1,404	2	2,000	0	0
WATERSHED & FLO PREVENT LOANS	2	325	2	7,949	0	0
RESOURCE CONSER & DEVELOP LOANS	0	0	2	1,207	0	0
INTEREST BUY-DOWN PROGRAM	0	9,572	0	290,268	0	185,000
SUBTOTAL, INSURED PROGRAM	59,373	2,798,696	39,888	1,817,156	34,115	1,600,000
SUBTOTAL, GUARANTEED PROGRAMS	16,043	1,559,571	24,930	2,498,000	28,890	3,000,000
SUBTOTAL, INTEREST BUY-DOWN PROG.	0	9,572	0	290,268	0	185,000
TOTAL AG CREDIT INSURANCE FUND	75,416	4,367,839	64,818	4,605,424	63,005	4,785,000
RURAL HOUSING INSURANCE FUND						
SEC 502 LOW INCOME HOUS LOANS--INS	36,210	1,155,347	11,365	334,800	0	0
SEC 515 RENTAL HOUSING LOANS--SUB	921	652,348	229	166,900	0	0
SEC 504 V/L INC HOUS RPR LOANS--DIR	2,369	6,992	934	2,833	0	0
SEC 514 RH FOR DOMESTIC FARM LABOR LN	67	10,675	18	2,871	0	0
SEC 524 RURAL HOUSING SITE DEV LOANS	0	0	4	574	0	0
SEC 521 RURAL RENTAL ASSIST. PAYMENTS	782	160,303	782	160,310	0	0
TOTAL RURAL HOUSING INSURANCE FUND	40,349	1,985,665	13,332	668,288	0	0
RURAL DEVELOPMENT INSURANCE FUND						
WATER AND WASTE DISPOSAL LOANS	698	325,380	173	83,380	0	0
INSURED COMMUNITY FACILITY LOANS	192	95,700	46	23,700	0	0
GUARANTEED BUSINESS & INDUS LOANS	37	54,803	62	95,700	0	0
GUARANTEED FINANCE CORPORATION LOANS	0	0	19	19,140	0	0
SUBTOTAL, INSURED PROGRAM	890	421,080	219	107,080	0	0
SUBTOTAL, GUARANTEED PROGRAMS	37	54,803	81	114,840	0	0
TOTAL RURAL DEVELOPMENT INSURANCE FUND	927	475,883	300	221,920	0	0
RURAL DEVELOPMENT LOAN FUND						
FINANCE CORPORATION GRANTS	0	0	14	14,264	0	0
RURAL DEVELOPMENT LOANS	0	0	4	4,000	0	0
TOTAL RURAL DEVELOPMENT LOAN FUND	0	0	18	18,264	0	0
HOUSING SUPPORT PROGRAMS						
SEC 516 RH FOR DOMESTIC FARM LAB. CT	12	10,855	2	2,417	0	0
SEC 504 VERY-LOW INC HOUS REPAIR GTS	4,138	13,891	940	3,100	0	0
SEC 523 MUTUAL & SELF-HELP HOUS GTS	34	5,854	32	5,404	0	0
SEC 509 COMP FOR CONSTRUCTION DEFECTS	100	269	77	213	0	0
RURAL HOUSING VOUCHER PROGRAM/RRAP	0	0	0	0	21,200	378,130
SEC 523 S/H HOUS LAND DEV FUND--DIR	1	620	2	500	0	0
SEC 533 RURAL HOUSING PRESERVATION CT	129	19,140	31	4,740	0	0
TOTAL HOUSING SUPPORT PROGRAMS	4,414	50,629	1,084	16,374	21,200	378,130
RURAL DEVELOPMENT GRANT PROGRAMS						
WATER & WASTE DISPOSAL GRANTS	343	119,318	87	31,485	0	0
TOTAL RURAL DEVELOPMENT GRANT PROGRAMS	343	119,318	87	31,485	0	0
TOTAL FMHA APPROPRIATED PROGRAMS	121,449	6,999,334	79,639	5,561,755	84,205	5,163,130
RUR COMM FIRE PROTECTION GRANTS (FS)	1,729	3,019	439	791	0	0

FARMERS HOME ADMINISTRATION

The 1988 Budget Estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Housing Insurance Fund

- 1 [From funds in the Rural Housing Insurance Fund, and for insured loans as authorized by title V of the Housing Act of 1949, as amended, \$2,033,093,000, of which not less than \$2,032,519,000 shall be for subsidized interest loans to low-income borrowers, as determined by the Secretary, and for subsequent loans to existing borrowers or to purchasers under assumption agreements or credit sales; and not to exceed \$10,000,000 to enter into collection and servicing contracts pursuant to the provisions of section 3(f)(3) of the Federal Claims Act of 1966 (31 U.S.C. 3718).]
- 2 During fiscal year 1988, no new direct loan obligations may be made.
- 3 [For rental assistance agreements entered into or renewed pursuant to the authority under section 521(a)(2) of the Housing Act of 1949, as amended, total new obligations shall not exceed \$160,310,000 to be added to and merged with authority provided for this purpose in prior fiscal years: Provided, That of this amount, not to exceed \$28,413,000 is available for additional units financed by section 515 of the Housing Act of 1949, as amended, and not less than \$5,082,000 is for additional units financed under sections 514 and 516 of the Housing Act of 1949: Provided further, That agreements entered into or renewed during fiscal year 1987 shall be funded for a five-year period, although the life of any such agreement may be extended to fully utilize amounts obligated: Provided further, That agreements entered into or renewed during fiscal years 1984, 1985, and 1986, may also be extended beyond five years to fully utilize amounts obligated.]

For an additional amount to reimburse the Rural Housing Insurance Fund for interest subsidies and losses sustained in prior years, but not previously reimbursed, in carrying out the provisions of title V of the Housing Act of 1949, as amended (42 U.S.C. 1483, 1487(e), and 1490a(c)), including [\$2,247,000] \$2,185,000 as authorized by section 521(c) of the Act, [\$2,296,283,000] \$2,964,249,000. For an additional amount as authorized by section 521(c) of the Act such sums as may be necessary to reimburse the fund to carry out a rental assistance program under section 521(a)(2) of the Housing Act of 1949, as amended.

The first change eliminates the language authorizing insured loans to be made from the Rural Housing Insurance Fund and eliminates language authorizing and limiting amounts to be available for collection and servicing contracts.

The second change adds language that directs that no new direct loan obligations may be made during fiscal year 1988.

The third change deletes language authorizing and limiting amounts to be made available for rental assistance agreements.

Rural Housing Insurance Fund

(a) On Basis of Program Levels

Program Levels, 1987.....	\$2,193,403,000
Program Levels, 1988.....	--
Decrease in Program Levels.....	<u>-2,193,403,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of program level authorizations)
(Dollars in millions)

Item of Change	1987 Authorized	Program Changes	1988 Estimated
Low-Income Housing Assistance:			
Subsidized Interest Rate Loans:			
Repair loans (sec. 504).....	\$ 2.8	-\$ 2.8	--
General purpose loans (sec. 502).....	324.8	-324.8	--
Domestic farm labor housing loans (sec. 514).....	2.9	-2.9	--
Rental or cooperative loans (sec. 515)	166.9	-166.9	--
Subtotal, Low-Income Housing Loan Assistance.....	497.4	-497.4	--
Non-subsidized Housing Loan Assistance:			
Loans for servicing the existing portfolio.....	10.0	-10.0	--
Site loans (sec. 524).....	0.6	-0.6	--
Subtotal, Moderate-Income Housing Loan Assistance.....	10.6	-10.6	--
TOTAL LOAN ASSISTANCE.....	508.0	-508.0	--
Rural Rental Assistance Payments.....	160.3	-160.3	--
TOTAL PROGRAM LEVELS - ADJUSTED FOR PROPOSED SUPPLEMENTAL.....	668.3	-668.3	--
Proposed Supplemental:			
Low-Income Housing Assistance:			
Subsidized Interest Rate Loans:			
Repair loans (sec. 504).....	8.5	-8.5	--
General purpose loans (sec. 502).....	1,005.0	-1,005.0	--
Domestic farm labor housing loans (sec. 514).....	8.6	-8.6	--
Rental or cooperative loans (sec. 515)....	503.0	-503.0	--
TOTAL PROPOSED SUPPLEMENTAL.....	1,525.1	-1,525.1	--
TOTAL PROGRAM LEVELS - AUTHORIZED.....	2,193.4	-2,193.4	--

RURAL HOUSING INSURANCE FUND

PROJECT STATEMENT

(On the basis of adjusted loan levels)
(Dollars in millions)

Project	1986 Actual		1987 Estimated		1988 Estimated	
	No. of Units	Amount	No. of Units	Amount	No. of Units	Amount
Low-Income Housing Assistance:						
Subsidized Interest Rate Loans:						
Repair loans (sec. 504).....	2,018	\$ 7.0	795	\$ 2.8		
General purpose loans (sec. 502).....	25,474	1,147.1	7,010	324.8		
Domestic farm labor housing loans (sec. 514).....	653	10.7	156	2.9		
Rental or cooperative loans (sec. 515).....	21,266	652.3	5,288	166.9		
Non-Subsidized Interest Rate Loans:						
Loans for servicing the existing portfolio.....	--	8.2	--	10.0		
Site loans (sec. 524) a/.....	--	--	--	0.6		
TOTAL LOAN ASSISTANCE.....	49,411	1,825.4	13,249	508.0		
Rural Rental Assistance Payments.....	(14,511)	160.3	(14,511)	160.3		
TOTAL PROGRAM LEVELS - ADJUSTED FOR PROPOSED SUPPLEMENTAL.....	49,411	1,985.7	13,249	668.3		
PROPOSED SUPPLEMENTAL: b/						
Low-Income Housing Assistance:						
Subsidized Interest Rate Loans:						
Repair loans (sec. 504).....	--	--	2,385	8.5		
General purpose loans (sec. 502).....	--	--	21,690	1,005.0		
Domestic farm labor housing loans (sec. 514).....	--	--	472	8.6		
Rental or cooperative loans (sec. 515).....	--	--	15,935	503.0		
TOTAL - PROPOSED SUPPLEMENTAL.....	--	--	40,482	1,525.1		
TOTAL PROGRAM LEVELS - AUTHORIZED BEFORE PROPOSED SUPPLEMENTAL.....	49,411	1,985.7	53,731	2,193.4		

Staff years are reflected in the Salaries and Expense Project Statement.

a/ Site loans do not produce units of housing. They are usually made in conjunction with sec. 502 or sec. 515 loans and the units would be counted in these categories.

b/ A proposed supplemental has been submitted to Congress to relinquish \$1.525 billion in loan authority.

EXPLANATION OF PROGRAM

The Rural Housing Insurance Fund (RHIF) was established under the authority contained in section 1003 (a) of the Housing and Urban Development Act of 1965 (Public Law 89-117), approved August 10, 1965. Public Law 89-117 authorized an appropriation of such sums as may be necessary for the purposes of the fund. An Appropriation of \$100,000,000 was provided by the Supplemental Appropriation Act, 1966, (Public Law 89-309), to capitalize the fund for future operations.

Public Law 89-117 transferred authorities for making insured farm labor housing loans and insured rural rental or cooperative housing loans from the Agricultural Credit Insurance Fund to the Rural Housing Insurance Fund. Public Law 90-448, approved August 1, 1968, authorized interest credits to the accounts of certain qualified borrowers. Public Law 91-152, approved December 24, 1969, transferred the assets, liabilities, and authorizations of the Rural housing direct loan account to the Rural Housing Insurance Fund. Public Law 91-609, approved December 31, 1970, made a number of changes in the loan and grant programs for farm labor housing.

The Housing and Community Development Act of 1974, Public Law 93-383, approved August 22, 1974, provides that loans may be made in areas with a population in excess of 10,000 but less than 20,000 if such an area is not included within a standard metropolitan statistical area and has a serious lack of mortgage credit as determined by the Secretary of Agriculture and the Secretary of Housing and Urban Development. This authority was amended by Public Law 94-375, approved August 3, 1976, to specify that there must be a serious lack of mortgage credit for low and moderate income families. The Housing and Community Development Act of 1974 also established a rural rental assistance program to be administered by Farmers Home Administration through the Rural Housing Insurance Fund. The Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, provided for numerous changes in FmHA's rural housing authorities. The most significant were: changes made to the guaranteed housing program authorities to make the program more attractive to local lenders and to limit its scope to above moderate income applicants only, as defined by FmHA; provision for payments from the RHIF to borrowers for compensation for correction of construction defects, claims resulting from such defects, or the acquisition of title to the property, where a newly constructed unit purchased with financial assistance from FmHA is found by the Secretary to have structural defects; and provision for FmHA-held acquired property to be subject to taxation by State and local political subdivisions in the same manner and to the same extent as other property is taxed.

The Supplemental Appropriations Act for the fiscal year ending September 30, 1984, and for other purposes, (also known as the "Housing and Urban-Rural Recovery Act of 1983") Public Law 98-181, approved November 30, 1983, provided for numerous changes in FmHA's rural housing programs. The most significant were to: target and give priority to very low-income persons in making housing assistance available in rural areas; adopt HUD income limits, eligibility criteria and definitions of adjusted income; make single or multi-family loans for manufactured housing units; authorize up to \$10 million for innovative demonstrations of housing and building systems that differ from FmHA minimum property standards; permit rental housing projects on scattered sites; limit rent increases; require priorities for rental assistance payments; and emphasize housing of modest size, design and cost. Also, Section 533 was added to provide Housing Preservation Grants for rehabilitation purposes.

The Housing and Community Development Technical Amendments Act of 1984, Public Law 98-479, approved October 17, 1984 made additional technical changes to the Housing programs as a result of the previously passed Housing and Urban-Rural Recovery Act of 1983. The most significant changes were: to remove references to the Secretary of Housing and Urban Development in establishing of low and very low family income levels; changed the funding requirements to a nationwide minimum of 40 percent of Section 502 funding to be set aside for very low-income families and established a minimum of 30 percent of funds allocated to each state for very

low-income families; restricted the interchange funding authority of the Secretary; and established new priorities for obligations of rental assistance units as well as provisions to extend expiring contracts.

Rural housing building and repair loans (Section 502 of the Housing Act of 1949, as amended) - Loans are made to enable eligible low income applicants to purchase, construct, improve, alter, repair or replace dwellings in rural areas, if their need for necessary housing cannot be met with financial assistance from other sources. Not less than 40 percent of the funding authorized nationally shall be set aside and 30 percent in each state will be available for very low-income families. These loans bear a note rate based on the cost-of-money to the Treasury with provisions for interest credit which may reduce the interest rate to as low as 1 percent under certain circumstances. Such loans may not exceed amounts necessary to provide adequate housing, modest in size, design and cost.

Insured building loans are made to farm owners, owners of other real estate in rural areas, others who are or will become rural residents, and long-term leaseholders. These loans are generally repayable in not more than 33 years, however, persons whose incomes do not exceed 60 percent of the median income for the area could receive loans with maturities of up to 38 years.

Rural rental and cooperative building loans (Section 515 of the Housing Act of 1949, as amended) - Loans are authorized to be made to individuals, corporations, Indian tribes, associations, public bodies, trusts, or partnerships to provide moderate cost rental or cooperative housing and related facilities for elderly or handicapped persons or families and other persons of low and moderate income in rural areas. Priority for rural rental housing loans is for applicants proposing to serve low and very low-income families and persons in most rural areas. These loans are repayable in not more than 50 years and currently bear a note rate based on the cost-of-money to the Treasury with provision for interest credit to tenants which may reduce the interest rate to as low as 1 percent under certain circumstances. These loans are made only if the need for necessary housing cannot be met with financial assistance from other sources except in the case of public bodies. The Farmers Home Administration has in the past made its rural rental housing loans in conjunction with the Department of Housing and Urban Development's Section 8 rent subsidy program. Loans made for units that have received Section 8 assistance bear an interest rate that is reduced either 1 percent or 2 percent below the unsubsidized rate, depending upon the circumstances of the individual project.

Rural housing site loans (Section 524 of the Housing Act of 1949, as amended) - Loans are made for the purchase and development of land to be subdivided into building sites for low to moderate income housing borrowers and rural rental and cooperative housing borrowers. Insured loans are made at a note rate based on the cost-of-money to the Treasury, and are repayable in 2 years.

Farm labor housing loans (Section 514 of the Housing Act of 1949, as amended) - Loans are authorized to be made to a farm owner, to certain public or broad-based private nonprofit organizations, public bodies, or to a nonprofit organization of farmworkers to provide modest living quarters, basic household furnishing, and related facilities, including land necessary for an adequate site, for domestic farm labor. Loans will be made based on a determination of need considering housing needs of domestic farm labor, including migrant farmworkers in the area without regard to other housing needs in area. These loans are repayable in not more than 33 years and bear interest not in excess of 1 percent, except under certain circumstances. Loans to organizations may be made simultaneously with farm labor housing grants which are discussed elsewhere in these justifications.

Rural rental assistance payments (Section 521 of the Housing Act of 1949, as amended) - Rural rental assistance payments are authorized to be made to owners of FmHA financed rural rental or cooperative housing or domestic farm labor housing facilities. Low-income tenants will contribute the higher of (1) 30 percent of monthly adjusted income, (2) 10 percent of monthly income, or (3) designated housing payments from a welfare agency. The program is administered in tandem with FmHA section 515 rural rental and cooperative housing programs, or the farm labor loan and grant programs.

JUSTIFICATION OF DECREASES

In place of these housing programs, commencing in FY 1988, FmHA is proposing that a new rural housing voucher system be implemented, based on the same payment standards and regulations set by the Department of Housing and Urban Development for its Section 8 voucher program. To this end, the Budget includes, elsewhere, \$378,130,000 for funding an estimated 21,200 units for a 5-year term, including 1,200 units specifically provided for the purpose of assisting tenants who have been impacted by prepayment of a Section 515 loan. The changes in program levels consist of:

- (1) A decrease of \$2,833,000 for section 504 very low-income housing repair loans (\$2,833,000) available in FY 1987).

Need for change. This program has not been fully utilized in the past.

Nature of change. No funding is requested in FY 1988. This program is proposed for termination. It is replaced by the rural housing voucher program which directs benefits to very low-income families, provides housing assistance more efficiently and offers a greater choice to the program recipients.

- (2) A decrease of \$334,800,000 of section 502 low-to-moderate income rural housing loans to individuals (\$334,800,000 available in FY 1987).

Need for change. The proposed budget will help curtail the growth in Federal interest subsidies associated with this program.

Nature of change. No funding is requested in FY 1988. This program is proposed for termination. Families eligible to be assisted under this program will be eligible for assistance under the housing voucher program which provides housing assistance more efficiently and offers a greater choice to the program recipients.

- (3) A decrease of \$2,871,000 for section 514 domestic farm labor housing loans (\$2,871,000 available in FY 1987).

Need for change. This program has not been fully utilized in the past.

Nature of change. No funding is requested in FY 1988. This program is proposed for termination. Families eligible to be assisted under this program will be eligible for assistance under the housing voucher program which provides housing assistance more efficiently and offers a greater choice to the program recipients.

- (4) A decrease of \$166,900,000 for section 515 rental or cooperative housing loans (\$166,900,000 available in FY 1987).

Need for change. The proposed budget will curtail the growth in Federal interest subsidies associated with this program.

Nature of change. No funding is requested in FY 1988. This program is proposed for termination. Families eligible to be assisted under this program will be eligible for assistance under the housing voucher program which provides housing assistance more efficiently and offers a greater choice to the program recipients.

- (5) A decrease of \$574,000 for section 524 site loans (\$574,000 available in FY 1987).

Need for change. Historically this program has only been utilized sporadically and at minimal levels. Little impact will result from non-funding.

Nature of change. The proposed reduction will eliminate the program.

- (6) A decrease of \$160,310,000 for rural rental assistance payments (\$160,310,000 available in FY 1987).

Need for change. This deep rental subsidy program can only be used in conjunction with FmHA financed projects, affording little opportunity for choice by the recipient family.

Nature of change: No funding requested for FY 1988. This program is proposed for termination. Families eligible to be assisted under this program will be eligible for assistance under the housing voucher program which provides housing assistance more efficiently and offers a greater choice to the program recipients.

(b) Reimbursement for Interest Subsidies and Losses

Appropriation Act, 1987.....	\$2,475,807,000	1/
Budget Estimate, 1988.....	3,124,606,000	2/
Increase in Appropriation.....	<u>+648,799,000</u>	

- 1/ Includes reimbursement for payments made under the rural rental assistance program in the amount of \$179,524,000.
- 2/ Include reimbursements for payments made under the rural rental assistance program in amount of \$160,357,000.

PROJECT STATEMENT
(On basis of appropriation)
(In thousands of dollars)

Project	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
Reimbursement for Interest				
Subsidies and Losses:				
General purpose loans...	\$1,630,319	\$1,765,115	+\$111,907	\$ 1,877,022
Rental or cooperative				
loans.....	497,414	629,801	+29,452	659,253
Domestic farm labor				
loans.....	2,592	15,238	+951	16,189
Site loans.....	6,459	491	-6,989	-6,498
Subtotal, subsidies and				
losses.....	2,136,784	2,410,645	+135,321(1)	2,545,966
Rural rental assistance				
payments.....	145,232	179,524	-19,167(2)	160,357
Total Losses.....	2,282,016	2,590,169	+116,154	2,706,323
Amount of losses not				
appropriated in FY 1986...	-303,921	--	--	--
Appropriation for FY 1984				
losses not reimbursed				
in FY 1986.....	--	303,921	-303,921(3)	--
Amount of losses not				
appropriation in FY 1987..	--	-418,283	+418,283	--
Appropriation for FY 1985				
losses not reimbursed				
in FY 1987.....	--	--	+418,283(4)	418,283
Total Appropriation	1,978,095	2,475,807	+648,799	3,124,606

EXPLANATION OF PROGRAM

This appropriation is proposed to reimburse the Rural Housing Insurance Fund for funded interest subsidies and losses incurred in fiscal year 1986 and fiscal year 1985 not previously fully reimbursed. Section 521(c)(1) of the Housing Act of 1949, as amended, authorizes annual appropriations to the Rural Housing Insurance Fund of the amounts by which interest payments made from the fund to investors in insured loans exceed the interest due from borrowers. In addition, section 517(e) of the Act authorizes appropriations to restore all other losses to the fund. The amount requested is exclusive of provision for future losses, unfunded costs and imputed interest.

JUSTIFICATION OF INCREASE AND DECREASE

- (1) An increase of \$135,321,000 for reimbursement of interest subsidies and other losses incurred in 1986 (\$2,410,645,000 in interest subsidies and losses incurred in 1985).

Need for change. An increase of \$135,321,000 for reimbursement for interest subsidies and losses is due to several factors. The portfolio of loans outstanding increased only approximately \$500 million during the fiscal year. Moderation of losses was also affected by interest costs associated with the Certificates of Beneficial Ownership (CBOs) outstanding which increased modestly due to additional CBO sales at relatively low interest rates during the year, offset slightly by the annualization of FY 1985's higher levels of CBO sales and interest rates. The interest income generated within the fund increased moderately owing to the expansion of the portfolio, and the slight increase of average interest rates on loans in the portfolio. Losses on sale of acquired property increased by \$72 million to over \$195 million in FY 1986, as the Agency attempted various innovative techniques to dispose of acquired property, especially units that were unsuitable for inclusion under FmHA's normal program operations. The net result of these and other various factors increased the interest subsidies and other losses by only \$135,321,000.

Nature of change. The amount requested will reimburse the Rural Housing Insurance Fund for interest subsidies and other losses incurred during FY 1986.

- (2) A decrease of \$19,167,000 for rural rental assistance payments (\$179,524,000 available in 1987).

Need for change. The amount requested represents the current estimate of FY 1988 disbursements for rental assistance (RA) units which were obligated in prior years.

Nature of change. The decrease of \$19,167,000 is attributable to the overall decrease in the number of units that will receive assistance during FY 1988. A greater number of units currently under RA contracts are projected to expire than will be replaced by other existing contracts. Also, increased costs per unit are not estimated to increase significantly.

- (3) A decrease of \$303,921,000 for reimbursement of interest subsidies and losses incurred in FY 1984, not reimbursed in FY 1986.

Need for change. This decrease represents the amount that was sought to fully reimburse the Rural Housing Insurance Fund for FY 1984 losses not appropriated in FY 1986.

Nature of change. The amount of interest subsidies and losses incurred in FY 1984 that were not reimbursed in FY 1986, but in FY 1987.

- (4) An increase of \$418,283,000 for reimbursement of interest subsidies and losses incurred in FY 1985, not reimbursed in FY 1987.

Need for Change. The amount of reimbursement results primarily from the difference between interest rates charged to the borrowers and the rate which the Government must pay for its own borrowing. The purpose of reimbursement for losses is to replenish the Fund for losses incurred. Any losses not reimbursed results in increased Treasury borrowings in order to maintain the Fund. This additional Treasury borrowing results in increased losses (interest expenses) to the Fund.

Nature of Change. The amount requested will reimburse the Rural Housing Insurance Fund for interest subsidies and losses incurred in FY 1985 that were not reimbursed in FY 1987.

The following schedule presents an analysis of change in the cash position of the fund.

Rural Housing Insurance Fund

Change in Cash Position of the Fund
(In Thousands of Dollars)

	<u>1986</u> <u>Actual</u>	<u>1987</u> <u>Estimate</u>	<u>1988</u> <u>Estimate</u>
Cash balance, beginning of year.....	\$ 31,027	\$ 14,579	\$ 46,833
Outlays.....	<u>-3,234,543</u>	<u>-1,283,553</u>	<u>-1,404,006</u>
Funds for financing:			
Appropriation for reimbursement of interest subsidies and losses.....	1,832,863	2,296,283	2,964,249
Appropriation for reimbursement of rental assistance payments.....	145,232	179,524	160,357
Treasury borrowings.....	3,720,000	4,420,000	4,060,000
Repayments of borrowings from Treasury.....	-3,230,000	-3,720,000	-4,420,000
FFB borrowings.....	750,000	--	--
Repayments of borrowings from FFB...	<u>--</u>	<u>-1,860,000</u>	<u>-1,365,000</u>
Net financing.....	<u>3,218,095</u>	<u>1,315,807</u>	<u>1,399,606</u>
Cash balance, end of year.....	<u>14,579</u>	<u>46,833</u>	<u>42,433</u>

As of September 30, 1988 the principal amount of contingent liabilities under insurance programs is estimated to be \$308.6 million.

An analysis by loan program of the accrued operating deficit, exclusive of unfunded losses and rental assistance, is shown in the following table. In accordance with the accounting principles and standards followed by FmHA, this schedule is prepared on an accrual basis.

Rural Housing Insurance Fund

Operating Income and Expense Statement
(In Thousands of Dollars)

	Income		Expense				Net
	Interest	Other	Total	Interest	Write-offs	Other	Total
<u>1986 Actual</u>							
General purpose loans.....	\$1,267,985	\$26,610	\$1,294,595	\$2,887,748	\$19,313	\$241,412	\$3,148,473
Domestic farm labor loans.....	1,300	5	1,305	17,262	--	232	17,494
Rental or cooperative loans.....	289,030	297	289,327	958,796	--	12,928	971,724
Site loans.....	55	--	55	77	--	-6,520	-6,443
<u>TOTAL.....</u>	<u>1,558,370</u>	<u>26,912</u>	<u>1,585,282</u>	<u>3,863,883</u>	<u>19,313</u>	<u>248,052</u>	<u>4,131,248</u>
<u>1987 Estimate</u>							
General purpose loans.....	1,161,950	38,255	1,200,205	2,836,993	19,800	551,329	3,408,122
Domestic farm labor loans.....	1,450	5	1,455	17,200	--	230	17,430
Rental or cooperative loans.....	308,414	290	308,704	955,325	47	12,900	968,272
Site loans.....	60	--	60	77	--	100	177
<u>TOTAL.....</u>	<u>1,471,874</u>	<u>38,550</u>	<u>1,510,424</u>	<u>3,809,595</u>	<u>19,847</u>	<u>564,559</u>	<u>4,394,001</u>
<u>1988 Estimate</u>							
General purpose loans.....	988,600	52,260	1,040,860	2,576,090	18,960	387,000	2,982,050
Domestic farm labor loans.....	1,500	5	1,505	18,948	--	250	19,198
Rental or cooperative loans.....	323,984	285	324,269	980,290	50	13,500	993,840
Site loans.....	60	--	60	77	--	120	197
<u>TOTAL.....</u>	<u>1,314,144</u>	<u>52,550</u>	<u>1,366,694</u>	<u>3,575,405</u>	<u>19,010</u>	<u>400,870</u>	<u>3,995,285</u>

1/ Does not include rural rental assistance payments made in the amount of \$145,232,000 in FY 1986, \$179,524,000 in FY 1987 and \$160,357,000 in FY 1988.

The following schedules present an analysis of outlays by loan program for fiscal years 1986, 1987 and 1988.

RURAL HOUSING INSURANCE FUND

Analysis of Outlays by Loan Program Fiscal Year 1986 (In thousands of dollars)

	General Purpose Loans	Domestic Farm Labor Loans	Rental or Cooperative Loans	Site Loans	Total
Funds for program operations:					
Funds expended:					
Loans made by the fund.....	\$1,284,694:	\$12,030:	\$ 918,278:	\$ 37:	\$2,215,039
Purchase of loans and certificates of beneficial ownership.....	110,041:	367:	20,359:	2:	130,769
Rental assistance payments.....	42,505:	9,848:	135,384:	--:	145,232
Collections disbursed to investors.....	2,770,072:	--:	--:	--:	42,500
Interest expense.....	873:	16,602:	922,233:	74:	3,708,981
Interest credits on loans.....	4,860:	--:	--:	--:	873
Administrative expense.....	135:	29:	1,620:	--:	6,509
Loss settlement, guaranteed loans.....	--:	--:	--:	--:	135
Interest transferred on participation certificates.....	--:	--:	--:	--:	--
Other.....	114,601:	--:	142:	--:	114,743
Total funds expended.....	4,327,781:	38,876:	1,998,011:	113:	6,364,781
Funds received:					
Repayments on loans.....	1,411,956:	4,050:	68,991:	379:	1,485,382
Payments of interest on loans.....	1,179,237:	1,220:	277,029:	48:	1,457,534
Sale of insured loans and certificates of beneficial ownership.....	12,268:	48:	7,900:	--:	20,216
Collections received for investors.....	37,204:	--:	--:	--:	37,204
Insurance premiums and guarantee fees.....	53:	--:	--:	--:	53
Other.....	131,260:	-55:	-1,356:	--:	129,849
Total funds received.....	2,771,978:	5,269:	352,564:	427:	3,130,238
OUTLAYS.....	1,555,803:	33,607:	1,645,447:	-314:	3,234,543

RURAL HOUSING INSURANCE FUND

Analysis of Outlays by Loan Program
 Fiscal Year 1987
 (In thousands of dollars)

	General Purpose Loans	Domestic Farm Labor Loans	Rental or Cooperative Loans	Site Loans	Total
Funds for program operations:					
Funds expended:					
Loans made by the fund.....	\$1,248,690:	\$11,920:	\$729,246:	\$144:	\$1,990,000
Purchase of loans and certificates of beneficial ownership.....	10,000:	--:	2,017:	--:	12,017
Rental assistance payments.....	--:	12,524:	167,000:	--:	179,524
Collections disbursed to investors.....	29,800:	--:	200:	--:	30,000
Interest expense.....	2,851,400:	18,500:	1,014,477:	70:	3,884,447
Interest credits on loans.....	670:	--:	--:	--:	670
Administrative expense.....	34,500:	200:	12,680:	20:	47,400
Loss settlement, guaranteed loans.....	225:	--:	--:	--:	225
Other.....	115,400:	60:	2,030:	10:	117,500
Total funds expended.....	4,290,685:	43,204:	1,927,650:	244:	6,261,783
Funds received:					
Repayments on loans.....	1,405,000:	4,500:	75,200:	300:	1,485,000
Payments of interest on loans.....	1,093,000:	1,360:	301,500:	40:	1,395,900
Sale of loans without recourse.....	1,884,056:	--:	--:	--:	1,884,056
Sale of insured notes.....	10,000:	--:	2,000:	--:	12,000
Collections received for investors.....	26,820:	--:	180:	--:	27,000
Insurance premiums and guarantee fees.....	50:	--:	--:	--:	50
Other.....	172,200:	70:	1,954:	--:	174,224
Total funds received.....	4,591,126:	5,930:	380,834:	340:	4,978,230
OUTLAYS.....	-300,441:	37,274:	1,546,816:	-96:	1,283,553

RURAL HOUSING INSURANCE FUND

Analysis of Outlays by Loan Program
Fiscal Year 1988
(In thousands of dollars)

	General Purpose Loans	Domestic Farm Labor Loans	Rental or Cooperative Loans	Site Loans	Total
Funds for program operations:					
Funds expended:					
Loans made by the fund.....	\$386,315:	\$10,350:	\$589,085:	\$250:	\$986,000
Purchase of loans and certificates of beneficial ownership.....	241,000:	300:	48,667:	--:	289,967
Rental assistance payments.....	--:	11,757:	148,600:	--:	160,357
Collections disbursed to investors.....	16,900:	--:	100:	--:	17,000
Interest expense.....	2,629,850:	20,382:	1,041,000:	70:	3,691,302
Interest credits on loans.....	400:	--:	--:	--:	400
Administrative expense.....	38,950:	228:	14,300:	22:	53,500
Loss settlement, guaranteed loans.....	200:	--:	--:	--:	200
Other.....	109,330:	60:	1,930:	10:	111,330
Total funds expended.....	3,422,945:	43,077:	1,843,682:	352:	5,310,056
Funds received:					
Repayments on loans.....	1,340,000:	4,720:	79,000:	280:	1,424,000
Payments of interest on loans.....	925,700:	1,460:	316,700:	40:	1,243,900
Sale of loans without recourse.....	1,040,400:	--:	--:	--:	1,040,400
Sale of insured notes.....	7,000:	--:	1,000:	--:	8,000
Collections received for investors.....	9,900:	--:	100:	--:	10,000
Insurance premiums and guarantee fees.....	50:	--:	--:	--:	50
Other.....	177,600:	70:	2,030:	--:	179,700
Total funds received.....	3,500,650:	6,250:	398,830:	320:	3,906,050
OUTLAYS.....	-77,705:	36,827:	1,444,852:	32:	1,404,006

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Rural Housing Insurance Fund

Very Low-Income Housing Repair Loan Program

	<u>1986</u> <u>Amount</u>	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>
Alabama.....	495,000	356,000	--
Alaska.....	---	60,000	--
Arizona.....	4,500	142,000	--
Arkansas.....	256,470	260,000	--
California.....	140,260	425,000	--
Colorado.....	4,340	92,000	--
Connecticut.....	---	57,000	--
Delaware.....	6,100	25,000	--
Florida.....	83,800	283,000	--
Georgia.....	78,790	442,000	--
Hawaii.....	27,110	48,000	--
Idaho.....	9,320	73,000	--
Illinois.....	93,040	308,000	--
Indiana.....	55,290	275,000	--
Iowa.....	55,260	177,000	--
Kansas.....	15,170	134,000	--
Kentucky.....	495,460	452,000	--
Louisiana.....	166,290	319,000	--
Maine.....	196,010	114,000	--
Maryland.....	70,540	122,000	--
Massachusetts.....	39,630	110,000	--
Michigan.....	136,240	346,000	--
Minnesota.....	8,400	222,000	--
Mississippi.....	667,280	326,000	--
Missouri.....	64,180	282,000	--
Montana.....	---	63,000	--
Nebraska.....	460	85,000	--
Nevada.....	---	22,000	--
New Hampshire.....	41,720	58,000	--
New Jersey.....	87,970	81,000	--
New Mexico.....	8,960	121,000	--
New York.....	145,830	323,000	--
North Carolina.....	330,710	568,000	--
North Dakota.....	24,030	50,000	--
Ohio.....	51,530	423,000	--
Oklahoma.....	43,340	207,000	--
Oregon.....	80,090	148,000	--
Pennsylvania.....	411,840	474,000	--
Rhode Island.....	4,500	13,000	--
South Carolina.....	142,350	306,000	--
South Dakota.....	880	68,000	--
Tennessee.....	114,670	374,000	--
Texas.....	604,410	678,000	--
Utah.....	1,450	43,000	--
Vermont.....	72,110	47,000	--
Virginia.....	140,870	380,000	--
Washington.....	29,760	175,000	--
West Virginia.....	62,240	243,000	--
Wisconsin.....	104,300	243,000	--
Wyoming.....	17,950	39,000	--
Puerto Rico.....	210,830	434,000	--
Trust Territories.....	1,089,211	189,000	--
Virgin Islands.....	2,000	30,000	--
Total, Available or Estimate.....	<u>6,992,491</u>	<u>11,335,000</u>	<u>--</u>

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Rural Housing Insurance Fund

Low Income Loan Program

	<u>1986</u> <u>Amount</u>	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>
Alabama.....	32,681,210	37,235,000	--
Alaska.....	3,392,650	5,119,000	--
Arizona.....	11,020,020	13,981,000	--
Arkansas.....	22,085,090	27,794,000	--
California.....	59,779,800	50,802,000	--
Colorado.....	6,099,310	12,185,000	--
Connecticut.....	13,277,600	10,313,000	--
Delaware.....	3,805,530	3,398,000	--
Florida.....	27,533,260	35,360,000	--
Georgia.....	17,051,850	47,987,000	--
Hawaii.....	26,507,650	4,644,000	--
Idaho.....	5,706,830	9,444,000	--
Illinois.....	22,658,210	41,468,000	--
Indiana.....	20,721,680	38,425,000	--
Iowa.....	17,298,630	24,773,000	--
Kansas.....	6,132,400	18,542,000	--
Kentucky.....	38,729,510	43,430,000	--
Louisiana.....	29,735,360	32,455,000	--
Maine.....	26,979,300	14,059,000	--
Maryland.....	15,403,790	15,903,000	--
Massachusetts.....	18,839,490	17,199,000	--
Michigan.....	40,745,150	48,579,000	--
Minnesota.....	19,690,660	28,312,000	--
Mississippi.....	69,734,490	32,355,000	--
Missouri.....	25,685,160	34,747,000	--
Montana.....	4,996,410	8,023,000	--
Nebraska.....	7,865,550	11,840,000	--
Nevada.....	1,336,450	2,841,000	--
New Hampshire.....	6,794,150	8,617,000	--
New Jersey.....	14,305,060	13,667,000	--
New Mexico.....	13,015,600	11,549,000	--
New York.....	30,899,770	48,670,000	--
North Carolina.....	39,167,710	65,317,000	--
North Dakota.....	6,232,840	6,707,000	--
Ohio.....	43,666,930	56,624,000	--
Oklahoma.....	17,290,920	23,769,000	--
Oregon.....	13,518,870	19,471,000	--
Pennsylvania.....	51,064,780	67,472,000	--
Rhode Island.....	3,757,920	2,158,000	--
South Carolina.....	40,431,560	33,115,000	--
South Dakota.....	4,441,210	8,216,000	--
Tennessee.....	46,367,480	41,114,000	--
Texas.....	54,626,080	73,066,000	--
Utah.....	5,397,670	5,390,000	--
Vermont.....	8,739,720	6,739,000	--
Virginia.....	34,573,430	41,412,000	--
Washington.....	15,452,130	22,870,000	--
West Virginia.....	20,344,320	26,744,000	--
Wisconsin.....	30,994,560	33,095,000	--
Wyoming.....	4,810,600	4,797,000	--
Puerto Rico.....	42,201,520	35,058,000	--
Trust Territories.....	9,931,570	9,463,000	--
Virgin Islands.....	1,827,210	3,487,000	--
Total, Available or Estimate.....	<u>1,155,346,650</u>	<u>1,339,800,000</u>	<u>--</u>

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Rural Housing Insurance Fund

Rural Housing Site Loan Program

	<u>1986</u> <u>Amount</u>	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>
Arkansas.....	--	150,000	--
Florida.....	--	165,000	--
Pennsylvania.....	--	100,000	--
Texas.....	--	159,000	--
Total, Available or Estimate.....	--	574,000	--

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Rural Housing Insurance Fund

Rural Rental Loan Program

	<u>1986</u> <u>Amount</u>	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>
Alabama.....	16,441,190	21,258,000	--
Alaska.....	1,102,000	3,418,000	--
Arizona.....	4,370,280	8,391,000	--
Arkansas.....	14,238,930	16,078,000	--
California.....	37,147,940	22,929,000	--
Colorado.....	4,080,600	5,773,000	--
Connecticut.....	6,818,600	3,836,000	--
Delaware.....	2,391,400	2,133,000	--
Florida.....	31,773,360	17,104,000	--
Georgia.....	23,410,250	26,286,000	--
Hawaii.....	213,250	3,027,000	--
Idaho.....	3,094,680	5,051,000	--
Illinois.....	9,060,250	16,851,000	--
Indiana.....	15,963,810	15,505,000	--
Iowa.....	9,328,890	10,551,000	--
Kansas.....	8,775,350	8,062,000	--
Kentucky.....	20,447,830	25,415,000	--
Louisiana.....	26,874,680	19,219,000	--
Maine.....	20,615,800	7,041,000	--
Maryland.....	9,155,170	7,080,000	--
Massachusetts.....	6,213,470	6,538,000	--
Michigan.....	25,012,810	19,626,000	--
Minnesota.....	10,799,360	12,873,000	--
Mississippi.....	16,027,430	20,238,000	--
Missouri.....	15,461,140	16,691,000	--
Montana.....	2,629,000	4,182,000	--
Nebraska.....	5,343,050	5,558,000	--
Nevada.....	1,680,250	1,800,000	--
New Hampshire.....	8,405,000	3,848,000	--
New Jersey.....	8,882,000	5,190,000	--
New Mexico.....	7,358,060	7,531,000	--
New York.....	32,923,840	18,876,000	--
North Carolina.....	45,590,038	32,576,000	--
North Dakota.....	1,002,000	3,774,000	--
Ohio.....	17,271,580	23,443,000	--
Oklahoma.....	12,373,750	12,352,000	--
Oregon.....	6,418,520	8,649,000	--
Pennsylvania.....	8,531,180	25,974,000	--
Rhode Island.....	960,000	1,423,000	--
South Carolina.....	18,826,540	18,143,000	--
South Dakota.....	6,947,690	4,901,000	--
Tennessee.....	24,374,710	22,201,000	--
Texas.....	36,070,750	37,694,000	--
Utah.....	2,636,050	3,236,000	--
Vermont.....	2,844,000	3,429,000	--
Virginia.....	20,771,330	20,489,000	--
Washington.....	8,166,920	9,873,000	--
West Virginia.....	13,321,520	13,943,000	--
Wisconsin.....	12,510,750	13,445,000	--
Wyoming.....	1,054,080	2,604,000	--
Puerto Rico.....	5,222,000	36,383,000	--
Trust Territories.....	---	6,010,000	--
Virgin Islands.....	1,415,000	1,399,000	--
Total, Available or Estimate.....	<u>652,348,078</u>	<u>669,900,000</u>	<u>--</u>

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Rural Housing Insurance Fund

Farm Labor Housing Loan Program

	<u>1986</u> <u>Amount</u>	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>
Arkansas.....	297,950	--	--
California.....	6,707,609	2,394,413	--
Florida.....	350,000	2,394,413	--
Hawaii.....	650,100	650,000	--
Idaho.....	198,000	190,000	--
Louisiana.....	121,880	120,000	--
Maine.....	139,400	130,000	--
Massachusetts.....	98,700	98,000	--
Michigan.....	738,490	2,450,000	--
Mississippi.....	343,290	--	--
Nevada.....	342,900	200,000	--
New Hampshire.....	37,000	--	--
New Jersey.....	208,000	650,000	--
New Mexico.....	45,000	20,000	--
Oregon.....	42,950	30,000	--
Tennessee.....	28,000	20,000	--
Texas.....	83,720	959,080	--
Utah.....	7,390	6,000	--
Vermont.....	--	200,000	--
Washington.....	204,750	207,094	--
Wisconsin.....	<u>30,000</u>	<u>765,000</u>	<u>--</u>
 Total, Available or Estimate.....	 <u>10,675,129</u>	 <u>11,484,000</u>	 <u>--</u>

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Rural Housing Insurance Fund

Rural Rental Assistance Payments

	<u>1986 Amount</u>	<u>1987 Amount</u>	<u>1988 Amount</u>
Alabama.....	7,279,973	1,524,486	--
Alaska.....	154,658	419,786	--
Arizona.....	1,646,003	121,517	--
Arkansas.....	2,375,105	1,049,465	--
California.....	15,896,633	10,048,706	--
Colorado.....	375,598	1,900,084	--
Connecticut.....	1,281,452	2,330,917	--
Delaware.....	276,175	--	--
Florida.....	7,777,088	5,214,184	--
Georgia.....	2,341,964	1,679,144	--
Idaho.....	6,893,328	3,192,583	--
Illinois.....	6,981,704	6,086,897	--
Indiana.....	6,672,388	6,727,623	--
Iowa.....	4,717,069	5,468,265	--
Kansas.....	839,572	1,679,144	--
Kentucky.....	2,706,515	3,424,570	--
Louisiana.....	1,623,909	861,666	--
Maine.....	3,225,724	8,263,156	--
Maryland.....	3,711,792	618,632	--
Massachusetts.....	585,491	1,690,191	--
Michigan.....	6,363,072	7,202,644	--
Minnesota.....	3,192,583	7,677,665	--
Mississippi.....	4,418,800	9,511,467	--
Missouri.....	375,598	1,281,452	--
Montana.....	1,182,029	729,102	--
Nebraska.....	1,104,700	2,441,387	--
Nevada.....	972,136	751,196	--
New Hampshire....	1,347,734	1,182,029	--
New Jersey.....	1,568,674	729,102	--
New Mexico.....	1,568,674	--	--
New York.....	1,148,888	5,214,184	--
North Carolina...	4,915,915	2,739,656	--
North Dakota.....	1,358,781	2,971,643	--
Ohio.....	9,003,305	4,551,364	--
Oklahoma.....	1,668,097	2,143,118	--
Oregon.....	4,805,445	7,412,537	--
Pennsylvania.....	4,087,390	4,672,881	--
Rhode Island.....	110,470	--	--
South Carolina...	1,502,392	2,330,917	--
South Dakota.....	4,474,035	6,230,508	--
Tennessee.....	2,706,515	762,243	--
Texas.....	5,667,111	5,932,239	--
Utah.....	475,021	--	--
Vermont.....	486,068	1,060,512	--
Virginia.....	4,208,907	5,501,406	--
Washington.....	2,905,361	4,783,351	--
West Virginia....	4,221,001	2,375,105	--
Wisconsin.....	4,374,612	5,766,534	--
Wyoming.....	1,347,734	386,645	--
Puerto Rico.....	1,104,700	--	--
Virgin Island....	265,128	1,668,097	--
Total, Available			
Estimate.....	<u>160,303,017</u>	<u>160,310,000</u>	<u>--</u>

FARMERS HOME ADMINISTRATION

The 1988 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Agricultural Credit Insurance Fund:

- For direct and guaranteed loans as authorized by 7 U.S.C. 1928-1929, to be available from funds in the Agricultural Credit Insurance Fund, as follows:
- 1 \$390,000,000 shall be guaranteed loans; [\$14,000,000 for water development, use, and conservation loans of which \$3,000,000 shall be guaranteed loans;] operating loans, [\$3,595,000,000] \$3,480,000,000 of which [\$2,170,000,000]
 - 2 \$2,610,000,000 shall be guaranteed loans; [Indian tribe land acquisition loans as authorized by 25 U.S.C. 488, \$2,000,000;] and for emergency insured and guaranteed loans, [\$695,000,000] \$600,000,000 to meet the needs resulting from natural disasters.

For an additional amount to reimburse the Agricultural Credit Insurance Fund for interest subsidies and losses sustained in prior years, but not previously reimbursed, in carrying out the provisions of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1988(a)), [\$1,723,403,000] \$3,640,153,000.

- 3 [Sec. 633 (e)(1) The Secretary of Agriculture shall reduce the amount of funds available for emergency insured and guaranteed loans to meet the needs resulting from natural disasters from funds in the Agricultural Credit Insurance Fund by \$400,000,000.
(2) For purposes of making payments in accordance with this proviso, there is transferred to the Commodity Credit Corporation \$400,000,000 from funds in the Agricultural Credit Insurance Fund.]

The first change deletes this language since no program is proposed for soil and water loans in fiscal year 1988.

The second change deletes this language since no program is proposed for Indian tribe land acquisition loans in fiscal year 1988.

The third change deletes this language which was intended as a one-time transfer to the Commodity Credit Corporation (CCC). To finance disaster payments in the form of generic, negotiable commodity certificates redeemable from stocks of commodities held by the Commodity Credit Corporation, \$400,000,000 was transferred from the Agricultural Credit Insurance Fund to the Commodity Credit Corporation as authorized by Title VI, Section 633 of the Continuing Resolution for FY 1987, P.L. 99-500. The loan limitation available for the Farmers Home Administration emergency disaster loan program was also reduced by \$400,000,000.

Agricultural Credit Insurance Fund

(a) On Basis of Loan Levels

Program Loan Levels, 1987.....	\$4,315,156,000
Program Loan Levels, 1988.....	4,600,000,000
Increase in Loan Levels.....	<u>+284,844,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of loan levels)

Item of Change	1987 Authorized	Program Changes	1988 Estimated
Farm ownership loans:			
Insured.....	\$ 75,000,000	+\$ 55,000,000	\$ 130,000,000
Guaranteed.....	325,000,000	+65,000,000	390,000,000
Farm operating loans:			
Insured.....	1,425,000,000	-555,000,000	870,000,000
Guaranteed.....	2,170,000,000	+440,000,000	2,610,000,000
Emergency disaster loans.....	295,000,000 ^{a/}	+305,000,000	600,000,000
Soil and water loans:			
Insured.....	11,000,000	-11,000,000	--
Guaranteed.....	3,000,000	-3,000,000	--
Indian tribe land acquisition loans.....	2,000,000	-2,000,000	--
Watershed protection and flood prevention loans.....	7,949,000	-7,949,000	--
Resource conservation and development loans.....	1,207,000	-1,207,000	--
TOTAL.....	4,315,156,000	+284,844,000	4,600,000,000

a/ P.L. 99-500 transferred \$400 million from the emergency disaster loan program to the Commodity Credit Corporation.

Note - The proposed legislation section for the Agricultural Credit Insurance Fund proposes no insured and guaranteed farm ownership loan programs in FY 1988 and reduces the emergency disaster loan program in FY 1988 to the FY 1987 level. Also, the proposed legislation section proposes an increase in the insured farm operating loan program and a decrease in the guaranteed operating loan program in FY 1988.

PROJECT STATEMENT
(On basis of loan levels)
(In thousands of dollars)

Project	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
Farm ownership loans:				
Insured.....	\$ 371,389	\$ 75,000	+\$ 55,000(1)	\$ 130,000
Guaranteed.....	192,018	325,000	+65,000(2)	390,000
Farm operating loans:				
Insured.....	2,203,165	1,425,000	-555,000(3)	870,000
Guaranteed.....	1,367,287	2,170,000	+440,000(4)	2,610,000
Emergency disaster loans.....	217,774	295,000 ^{a/}	+305,000(5)	600,000
Soil and water loans:				
Insured.....	4,639	11,000	-11,000(6)	--
Guaranteed.....	266	3,000	-3,000(6)	--
Indian tribe land acquisition loans.....	1,404	2,000	-2,000(7)	--
Watershed protection and flood prevention loans.....	325	7,949	-7,949(8)	--
Resource conservation and development loans.....	--	1,207	-1,207(9)	--
TOTAL.....	4,358,267	4,315,156	+284,844	4,600,000

Staff-years are reflected in the Salaries and Expenses Project Statement.

a/ P.L. 99-500 transferred \$400 million from the emergency disaster loan program to the Commodity Credit Corporation.

Note - The proposed legislation section for the Agricultural Credit Insurance Fund proposes no insured and guaranteed farm ownership loan programs in FY 1988 and reduces the emergency disaster loan program in FY 1988 to the FY 1987 level. Also, the proposed legislation section proposes an increase in the insured farm operating loan program and a decrease in the guaranteed operating loan program in FY 1988.

EXPLANATION OF PROGRAM

This fund is used to insure or guarantee farm ownership, soil and water, farm operating, emergency, Indian tribe land acquisition, watershed protection, flood prevention, and resource conservation and development loans.

Public Law 92-419, approved August 30, 1972, abolished the Farmers Home Administration Direct Loan Account and the Emergency Credit Revolving Fund and provided for transfer of the assets and liabilities of, and authorizations applicable to, these accounts to the Agricultural Credit Insurance Fund. It also provided for transfer from the Agricultural Credit Insurance Fund to the Rural Development Insurance Fund of the assets and liabilities of the Agricultural Credit Insurance Fund applicable to loans for water systems and waste disposal facilities.

Real Estate Loans

Subtitle A of the Consolidated Farm and Rural Development Act contains the authorizations for farm ownership loans, recreation loans, and soil and water loans to individuals, and to farm cooperatives and private domestic corporations and partnerships that are controlled by farmers and ranchers and engaged primarily and directly in farming or ranching in the United States. Soil and water and recreation loans are each contained as a separate type of loan because the law sets forth eligibility requirements for these loans that differ somewhat from the eligibility requirements for farm ownership loans. In most respects, however, soil and water, recreation and farm ownership loans are subject to similar authorizations and limitations but not purposes. Insured loan borrowers are required to graduate to other credit sources when they are able to do so.

Farm Ownership Loans. Farm ownership loans, accompanied by supervisory assistance in farm and financial management, preserve and improve the family farm pattern of American agriculture and strengthen the economy of rural communities.

Farm ownership loans are used for:

1. Maintaining family farms: Farm ownership loans help owner-operators restructure their debts, including those who are highly leveraged who utilize their real estate equities to refinance heavy short-term debts. In other instances, the owner-operators use real estate credit and assistance to make further adjustments in their operations, to comply with local sanitation and pollution abatement requirements, to keep up with advances in agricultural technology, to better utilize their land and labor resources and to meet changing market requirements. Farm ownership loans may be used to finance income producing recreational enterprises or other nonfarm enterprises which supplement but do not supplant farm income.
2. Purchase and development of farms: One of the functions of the farm ownership loan program is to assist farmers, especially beginning farmers, in the purchase and enlargement of farms. Applicants eligible for these loans may use this assistance for combining small tracts of land, making basic soil improvements, establishing permanent pastures, improving dwellings and essential farm buildings, developing land and water, controlling pollution, producing or saving energy, adding a nonfarm enterprise and taking other measures to increase the efficiency and income-producing capacity of their holdings.

Farm ownership loans are made to eligible individuals, cooperatives, corporations, partnerships or joint operators who (1) have sufficient training or farm experience to assure reasonable prospects of success in the proposed operation, (2) are or will become owner-operators of not larger than family farms, and (3) are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near where the applicant resides for loans for similar purposes and periods of time.

Loans are made for 40 years or less. An insured loan may not exceed \$200,000 and a guaranteed loan may not exceed \$300,000. The interest rate for insured loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to one percent additional. However, loans to limited resource borrowers bear interest of not more than one-half of the cost-of-money but not less than five percent per year. The applicable interest rate is increased by two percent if the project being financed involves the use of prime farm land for non-farm purposes. The interest rate for guaranteed loans is negotiated by the lender and the borrower and may be subsidized under the interest buy-down program.

Soil and Water Loans. Soil and water loans are made to individuals, cooperatives, corporations, partnerships or joint operators who own and/or operate a farm. Applicants must be unable to obtain sufficient credit elsewhere to finance actual needs at reasonable rates and terms prevailing in the community where the farm is located.

Soil and water loans may be made for soil conservation, development and use; forestation; drainage of farmland; establishment of permanent pasture; pollution control and energy saving measures. The loan limit is \$200,000 for an insured loan and \$300,000 for a guaranteed loan. The repayment period may be up to 40 years. The interest rate for insured loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to one percent additional. The interest rate is increased by two percent if the project being financed involves the use of prime farm land for nonfarm purposes. Guaranteed loans bear an interest rate negotiated by the lender and the borrower.

Operating Loans

Subtitle B of the Consolidated Farm and Rural Development Act contains the authorization for insured and guaranteed operating loans. Operating loans made by the Farmers Home Administration are accompanied by supervisory assistance in farm and financial management. Operating credit is needed by family farmers throughout the United States, who are unable to obtain credit from private and cooperative sources, to develop or maintain a reasonable standard of living. The use of operating loan funds for this purpose helps provide opportunity for farm operators to conduct successful farm operations.

Loans are made to assist (1) full-time and part-time operators to continue in agriculture and to improve their farm and home operations, (2) part-time farm operators to convert their farming operations to full-time and to improve their income and level of living while continuing to live in rural areas, (3) young farmers who lack the necessary credit to acquire the resources needed for success, and (4) rural youths.

Operating loans are made to individuals, partnerships, corporations, cooperatives or joint operators who operate not larger than family-size farms or ranches, who (1) have sufficient training or farm experience to assure reasonable prospects of success in the proposed operation, (2) are or will become operators of not larger than family farms, except for rural youths, and (3) are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near where the applicant resides, for loans for similar purposes and periods of time.

Operating loans may be made for paying costs incident to reorganizing a farming system for more profitable operations; purchasing livestock, poultry and farm equipment; purchasing feed, seed, fertilizer, insecticides, and farm supplies and meeting other essential operating expenses; financing land and water development, use, and conservation; developing recreation and other nonfarm enterprises; and refinancing existing indebtedness.

The loan limit is \$200,000 for an insured loan and \$400,000 for a guaranteed loan. Operating loans may be scheduled for payment over periods from 1 to 7 years depending on loan purposes. The interest rate for insured loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to one percent additional. However, loans to limited resource borrowers bear interest at a rate three percent below the cost-of-money. The interest rate is increased by two percent if the project being financed involves the use of prime farm land for nonfarm purposes. The interest rate for guaranteed loans is negotiated by the lender and the borrower and may be subsidized under the interest buy-down program.

Insured loan borrowers are encouraged to supplement their operating loans with credit from other sources when this is feasible. They are required to graduate to other credit sources when able to do so.

Emergency Disaster Loans

Emergency loans are made available in designated areas (counties) and in contiguous counties where property damage and/or severe production losses have occurred as a direct result of a natural disaster. Areas may be declared by the President or designated for emergency loan assistance by the Secretary of Agriculture.

Emergency loans are made to established, eligible, family size farmers, ranchers and aquaculture operators. Partnerships and private domestic corporations and cooperatives may also qualify, providing they are primarily engaged in agricultural or aquacultural production. Loans may be made only for actual losses arising from natural disasters. A farmer who cannot receive credit elsewhere is eligible for an actual loss loan of up to \$500,000 or the calculated actual loss, whichever is less, for each disaster at an interest rate

Actual loss loans may be made for physical losses to repair, restore or replace damaged or destroyed farm property, livestock and livestock products, and supplies, and for production losses to compensate for loss of income based on reduced production of crops and/or livestock products resulting from the disaster. Eligible farmers may use actual loss loan funds to purchase livestock, poultry, or other animals and pay costs incident to reorganizing a farming system to make it a sound operation. The reorganized farming operation, however, must be approximately equivalent in earning capacity to the operation conducted prior to the disaster. Under certain conditions, loan funds may be used to buy essential home equipment and furnishings and for limited refinancing of debts.

Repayment terms for actual loss loans vary according to the purposes of the loan, type of collateral available to secure the loan, and the projected repayment ability of the borrower. Loans for actual production or physical losses to crops, livestock, supplies and equipment may be scheduled for repayment for up to seven years. Under some conditions a longer repayment period may be authorized for production loss loans, but not to exceed 20 years. Generally, real estate will be needed as security when more than seven years is authorized. Loss loans for actual losses to real estate will generally be scheduled for repayment within 30 years but under some conditions may be scheduled for up to 40 years.

Loans to Associations and Groups

Subtitle A of the Consolidated Farm and Rural Development Act contains the authorization for Indian tribe land acquisition loans. In addition, watershed works of improvement and flood prevention loans are made to associations under the Watershed Protection Act, as amended (Public Law 83-566), and resource conservation and development loans are made to associations under section 102 of Public Law 87-703, and other existing Departmental authorities.

Indian Tribe Land Acquisition Loans. Public Law 91-229, approved April 11, 1970, authorized loans to any Indian tribe recognized by the Secretary of the Interior or tribal corporation established pursuant to the Indian Reorganization Act, which does not have adequate uncommitted funds, to acquire lands or interest in lands within the tribe's reservation or Alaskan Indian community, as determined by the Secretary of the Interior, for use of the tribe or the corporation or the members thereof. Loans are made for 40 years or less. The interest rate for these loans is determined by the Secretary of Agriculture. It does not exceed the cost-of-money to the Government, plus up to one percent additional, except, those tribes that are unable to pay the higher rate may be charged a lower interest rate.

Watershed Works of Improvement and Flood Prevention Loans. Loans are made to local organizations for financing the local share of the cost of installing, repairing or improving works of improvement and water storage facilities, purchasing sites or rights-of-way and for related costs in approved watershed works of improvement and flood prevention projects. FmHA has been assigned responsibility for making these loans to sponsors of such projects approved for operation by the Soil Conservation Service. No loan may be made until the Soil Conservation Service and the local organization have agreed on a plan for works of improvement. Public Law 92-419, approved August 30, 1972, provided for making such loans on an insured basis under the Agricultural Credit Insurance Fund.

These loans are repayable in not more than 50 years at an interest rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity. For any single plan for works of improvement, the amount of the loan may not exceed \$10 million.

Resource Conservation and Development Loans. Loans are made to local sponsoring organizations when needed for financing the local share of the cost of installing, repairing or improving works of improvement, purchasing sites or rights-of-way and for related costs in approved resource conservation and development projects. The Farmers Home Administration has been assigned responsibility for making these loans to sponsors of resource conservation and development projects approved for operation by the Soil Conservation Service. No loan may be made until the Soil Conservation Service and the local organization have agreed on a plan for development work. Public Law 92-419, approved August 30, 1972, provided for making such loans on an insured basis under the Agricultural Credit Insurance Fund.

These loans are repayable in not more than 30 years. Loans bear interest at a rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity.

JUSTIFICATION OF INCREASES AND DECREASES

Conditions in the farm economy indicate a critical need for FmHA credit services as a lender of last resort. The adequate servicing and supervision of delinquent farmer program loans to assist borrowers to overcome financial and management difficulties and to protect the Government's interest is, and continues to be, a prime concern of FmHA. The Agency makes every effort possible to assist financially pressed farm borrowers to overcome their difficulties. FmHA has found it necessary, during times of economic stress, to assist applicants and borrowers to remain in farming with some of the most lenient lending policies in its history.

FmHA has undertaken a number of initiatives to expand the use of guaranteed lending. Among them are:

- (1) Debt adjustment program. The objective of the debt adjustment program is to provide lenders with a tool to enable them to continue to provide credit to operators of not larger than family farms who do not have the ability to repay their loans and/or do not have adequate security for their loans without debt adjustment.
- (2) Interest buy-down program. The objective of the interest buy-down program is to afford farmers an opportunity to borrow money or continue a loan at two to four points less than the lenders' going rate. FmHA will "buy-down" one or two points to match a reduction by the lender.
- (3) Operation assist. Operation assist is a referral and outreach program that will help farmers obtain operating credit under FmHA's guaranteed loan program.
- (4) Line of credit authority. This authority allows a farmer to establish a line of credit with a participating lender for certain guaranteed farm operating loan purposes.

The FY 1988 budget proposes to continue the shift to guaranteed lending established in FY 1984 and FY 1985. The focus on guaranteed lending will facilitate graduations of loans from FmHA to private lenders, and the transfer of most loan making responsibilities to private lenders would enable FmHA to concentrate on providing supervised credit assistance to needy borrowers, insure an effective guarantee/graduation process, and allow for improved servicing of the existing portfolio. Also, the interest rate reduction program for loans guaranteed under the guaranteed loan programs in the Agricultural Credit Insurance Fund will continue in FY 1988 as provided in the Food and Security Act of 1985.

The following adjustments result in a net increase of \$284,844,000 for loan programs financed through the Agricultural Credit Insurance Fund.

- (1) An increase of \$55,000,000 for insured farm ownership loans (\$75,000,000 available in 1987).

Need for Change. This program level is the amount authorized in the Food Security Act of 1985, Public Law 99-198. Legislation will be proposed to terminate new real estate lending by FmHA because the priority problem to be addressed is the need for operating credit. However, real estate credit for existing FmHA borrowers will continue to be available through reamortization and rescheduling of loans secured by real estate.

Nature of Change. Under proposed legislation this program will be terminated to give priority to operating credit needs.

- (2) An increase of \$65,000,000 for guaranteed farm ownership loans (\$325,000,000 available in 1987).

Need for Change. This program level is the amount authorized in the Food Security Act of 1985, Public Law 99-198. Legislation will be proposed to terminate this program and concentrate the Agency's resources on the operating loan programs and servicing requirements of the Agency's delinquent borrowers.

Nature of Change. Under proposed legislation this program will be terminated to give priority to operating credit needs.

- (3) A decrease of \$555,000,000 for insured farm operating loans (\$1,425,000,000 available in 1987).

Need for Change. This program level is the amount authorized in the Food Security Act of 1985, Public Law 99-198. Legislation will be proposed to increase this program to \$1 billion in order to focus on the much needed Federal aid for farm operating credit.

Nature of Change. The program level under proposed legislation will provide 21,085 insured loans in FY 1988.

- (4) An increase of \$440,000,000 for guaranteed farm operating loans (\$2,170,000,000 available in 1987).

Need for Change. This program level is the amount authorized in the Food Security Act of 1985, Public Law 99-198. Legislation will be proposed to decrease this program to \$2.5 billion, while funding an increased level of direct operating loans. The Agency will make maximum use of the guaranteed operating loan program to facilitate maximum participation of the private agricultural credit sector. Operation assist, a referral and outreach program that will help farmers obtain operating credit, and a line of credit authority which allows a farmer to establish a line of credit with a participating lender for certain guaranteed farm operating loan purposes, will increase participation of lenders in the guaranteed loan program. Also, the Agency has coordinated and worked with the Farm Credit Administration and private lenders to increase participation in the guaranteed loan area. As a result of these efforts, more funds were obligated in the guaranteed farm operating loan program in FY 1986 than ever before in the history of the program, \$1.4 billion, and it is expected that this trend will continue. The shift toward guaranteed lending will facilitate graduation of FmHA borrowers to private sector credit sources and focus FmHA staff resources on servicing requirements of its delinquent borrowers.

Nature of Change. The program level under proposed legislation will provide 25,365 guaranteed loans in FY 1988.

- (5) An increase of \$305,000,000 for emergency disaster loans (\$295,000,000 available in 1987).

Need for Change. This program level is the amount authorized in the Food Security Act of 1985, Public Law 99-198. Legislation will be proposed to decrease this program to \$295 million, the same amount available in FY 1987. Besides farm loans, Federal Crop Insurance is available to farmers for most crops in virtually all agricultural counties in the country for losses caused by natural hazards and disasters.

Nature of Change. The program level under proposed legislation will provide 7,100 loans in FY 1988.

- (6) A decrease of \$11,000,000 for insured and \$3,000,000 for guaranteed soil and water loans (\$14,000,000 available in 1987).

Need for Change. Elimination of the insured and guaranteed soil and water loan programs are proposed in redirection of Agency lending to the insured and guaranteed operating lending functions. Some activities funded under the soil and water loan program are appropriate for funding through the expanded operating lending program.

Nature of Change. No program is proposed in FY 1988.

- (7) A decrease of \$2,000,000 for Indian tribe land acquisition loans (\$2,000,000 available in 1987).

Need for Change. Demand for Indian tribe land acquisition loans has been low because of the decline in agricultural industry profits. These loans are limited to the acquisition of land within the defined boundaries of a tribe's reservation. Most of the available land has been acquired by the loans now outstanding.

Nature of Change. No program level is proposed in FY 1988.

- (8) A decrease of \$7,949,000 for watershed protection and flood prevention loans (\$7,949,000 available in 1987).

Need for Change. The watershed protection and flood prevention loan programs represent a minor portion of the Agency's total funding for programs funded through the Agricultural Credit Insurance Fund. In FY 1986, only two loans were obligated in the amount of \$325,000.

Nature of Change. The watershed protection and flood prevention loan programs are proposed for termination in FY 1988.

- (9) A decrease of \$1,207,000 for resource conservation and development loans (\$1,207,000 available in 1987).

Need for Change. The resource conservation and development loan program represents a minor portion of the Agency's total funding for programs funded through the Agricultural Credit Insurance Fund. No loans were obligated in FY 1986.

Nature of Change. The resource conservation and development loan program is proposed for termination in FY 1988.

(b) Reimbursement for Interest Subsidies and Losses

Appropriation Act, 1987.....	\$1,323,403,000
Budget Estimate, 1988.....	3,640,153,000
Increase in Appropriation.....	<u>+2,316,750,000</u>

PROJECT STATEMENT
(On basis of appropriation)
(in thousands of dollars)

Project	1986 Actual	1987 Actual	Increase or Decrease	1988 Estimated
Reimbursement for Interest				
Subsidies and Losses:				
Farm ownership loans.....	\$ 647,816	\$ 766,478	-\$ 157,525	\$ 608,953
Farm operating loans.....	164,871	283,657	+370,427	654,084
Recreation loans.....	43,299	6,876	+4,731	11,607
Emergency disaster loans.....	428,044	717,792	+136,037	853,829
Emergency livestock loans.....	1,459	3,486	-1,372	2,114
Economic emergency loans.....	119,836	226,887	+107,409	334,296
Soil and water conser- vation loans.....	11,406	18,302	+4,764	23,066
Irrigation and drainage loans.....	3,265	2,064	+1,149	3,213
Grazing loans.....	32,281	4,522	+1,501	6,023
Indian tribe land acquisition loans.....	8,644	6,908	+1,922	8,830
Watershed protection and flood prevention loans.....	14,062	7,431	+1,575	9,006
Resource conservation and development loans.....	2,553	1,605	+1,534	3,139
Inactive loan programs.....	29	33	--	33
Total Losses.....	1,477,565	2,046,041	+472,152(1)	2,518,193
Amount of losses not appropriated in FY 1986.....	-399,322	--	--	--
Appropriation for FY 1984 losses not reimbursed in FY 1986.....	--	+399,322	-399,322(2)	--
Amount of losses not appropriated in FY 1987.....	--	-1,121,960	+1,121,960	--
Appropriation for FY 1985 losses not reimbursed in FY 1987.....	--	--	+1,121,960(3)	+1,121,960
Total Appropriation.....	1,078,243	1,323,403	+2,316,750	3,640,153

EXPLANATION OF PROGRAM

This appropriation is proposed to reimburse the Agricultural Credit Insurance Fund for funded interest subsidies and losses incurred in fiscal years 1985 and 1986.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$472,152,000 for reimbursement for interest subsidies and losses incurred in 1986 (\$2,046,041,000 in interest subsidies and losses incurred in 1985).

Need for Change. The amount requested will reimburse the Agricultural Credit Insurance Fund for interest subsidies and losses incurred in FY 1986. Interest subsidies resulted primarily from interest costs incurred due to the difference between the interest rate paid by the borrower and the rate the Government is charged to borrow money. Until the passage of the Agricultural Credit Act of 1978, Public Law 95-334, August 4, 1978, many of the loans made from this Fund had been subject to interest rates in effect since 1954. Most of these rates were below the Government's cost-of-money. Limited resource borrowers may be charged interest at a rate lower than the cost-of-money interest rate.

Nature of Change. The amount requested will reimburse the Agricultural Credit Insurance Fund for interest subsidies and losses incurred in FY 1986.

- (2) A decrease of \$399,322,000 for reimbursement of interest subsidies and losses incurred in FY 1984, not reimbursed in FY 1986.

Need for Change. The amount of losses not appropriated in FY 1986 for FY 1984 losses was \$399,322,000.

Nature of Change. The amount of interest subsidies and losses incurred in FY 1984 that were not reimbursed in FY 1986, but in FY 1987.

- (3) An increase of \$1,121,960,000 for reimbursement of interest subsidies and losses incurred in FY 1985, not reimbursed in FY 1987.

Need for Change. The amount of reimbursement results primarily from the difference between interest rates charged to the borrowers and the rate which the Government must pay for its own borrowing. The purpose of reimbursement for losses is to replenish the Fund for losses incurred. Any losses not reimbursed results in increased Treasury borrowings in order to maintain the Fund. This additional Treasury borrowing results in increased losses (interest expenses) to the Fund.

Nature of Change. The amount requested will reimburse the Agricultural Credit Insurance Fund for interest subsidies and losses incurred in FY 1985 that were not reimbursed in FY 1987.

The following schedule presents an analysis of change in the cash position of the Fund.

Change in Cash Position of the Fund
(In thousands of dollars)

	<u>1986</u> <u>Actual</u>	<u>1987</u> <u>Estimated</u>	<u>1988</u> <u>Estimated</u>
Cash balance, beginning of year.....	\$ 105,544	\$ 15,077	\$ 66,044
Outlays.....	<u>-3,233,710</u>	<u>-3,187,436</u>	<u>-2,888,451</u>
Funds for financing:			
Appropriation for reimbursement of interest subsidies and losses.....	1,078,243	1,323,403	3,640,153
Treasury borrowings.....	2,735,000	5,035,000	4,685,000
Repayment of borrowings from Treasury..	-890,000	-2,735,000	-5,035,000
FFB borrowings.....	1,470,000	--	--
Repayment of borrowings from FFB.....	<u>-1,250,000</u>	<u>-385,000</u>	<u>-385,000</u>
Net financing	<u>3,143,243</u>	<u>3,238,403</u>	<u>2,905,153</u>
Cash balance, end of year.....	<u>15,077</u>	<u>66,044</u>	<u>82,746</u>

As of September 30, 1988, the principal amount of contingent liabilities under insurance programs is estimated to be \$4.1 billion.

An analysis by loan program of the accrued operating deficit, exclusive of unfunded losses, is shown in the following tables. In accordance with the accounting principles and standards followed by FmHA, this schedule is prepared on an accrual basis.

AGRICULTURAL CREDIT INSURANCE FUND

Operating Income and Expense Statement
(In Thousands of Dollars)

	Income		Expense				Net	
	Interest	Other	Total	Interest	Write-offs	Other	Total	Total
1986 Actual								
Farm ownership loans	\$ 583,987	\$ 7,042	\$ 591,029	\$ 1,131,885	\$ 25,356	\$ 42,741	\$ 1,199,982	\$ -608,953
Farm operating loans	420,437	5,088	425,525	981,020	69,553	29,036	1,079,609	-654,084
Recreation loans	3,908	51	3,959	10,146	1,078	4,342	15,566	-11,607
Emergency disaster loans	787,544	7,555	795,099	1,436,841	109,742	102,345	1,648,928	-853,829
Emergency livestock loans	384	--	384	134	--	2,364	2,498	-2,114
Economic emergency loans	387,042	4,072	391,114	593,976	62,895	68,539	725,410	-334,296
Soil and water conservation loans	23,598	205	23,803	43,106	1,778	1,985	46,869	-23,066
Irrigation and drainage loans	942	4	946	2,816	--	1,343	4,159	-3,213
Grazing loans	2,702	23	2,725	7,394	--	1,354	8,748	-6,023
Indian tribe land acquisition loans	4,610	18	4,628	12,096	--	1,362	13,458	-8,830
Watershed protection and flood prevention loans	3,121	16	3,137	10,783	--	1,360	12,143	-9,006
Resource conservation and development loans	900	64	964	2,325	263	1,515	4,103	-3,139
Inactive loan programs	9	--	9	42	--	--	42	-33
TOTAL	2,219,184	24,138	2,243,322	4,232,564	270,665	258,286	4,761,515	-2,518,193

AGRICULTURAL CREDIT INSURANCE FUND

Operating Income and Expense Statement
(In Thousands of Dollars)

	Income		Expense				Net	
	Interest	Other	Total	Interest	Write-offs	Other	Total	Total
1987 Estimated								
Farm ownership loans	\$ 585,879	\$ 9,259	\$ 595,138	\$ 1,146,043	\$ 60,999	\$ 54,031	\$ 1,261,073	\$ -665,935
Farm operating loans	421,824	6,691	428,515	993,466	167,307	36,695	1,197,468	-768,953
Recreation loans	4,007	67	4,074	10,286	2,604	5,485	18,375	-14,301
Emergency disaster loans	790,001	9,935	799,936	1,455,055	263,915	129,348	1,848,318	-1,048,382
Emergency livestock loans	445	--	445	--	151,292	2,971	154,263	-153,818
Economic emergency loans	388,211	5,354	393,565	601,308	4,232	86,645	692,185	-298,620
Soil and water conservation								
loans	23,595	270	23,865	43,716	--	2,514	46,230	-22,365
Irrigation and drainage loans	890	6	896	3,000	--	1,698	4,698	-3,802
Grazing loans	2,671	32	2,703	7,286	--	1,698	8,984	-6,281
Indian tribe land acquisition								
loans	4,675	25	4,700	12,429	--	1,730	14,159	-9,459
Watershed protection and flood								
prevention loans	3,116	19	3,135	10,715	--	1,730	12,445	-9,310
Resource conservation and								
development loans	668	82	750	2,571	651	1,926	5,148	-4,398
Inactive loan programs	--	--	--	--	--	--	--	--
TOTAL	2,225,982	31,740	2,257,722	4,285,875	651,000	326,471	5,263,346	-3,005,624

AGRICULTURAL CREDIT INSURANCE FUND

Operating Income and Expense Statement
(In Thousands of Dollars)

	Income			Expense			Net Total
	Interest	Other	Total	Interest	Write- offs	Other	
1988 Estimated							
Farm ownership loans	\$ 583,291	\$ 11,634	\$ 594,925	\$ 1,128,276	\$ 56,330	\$ 64,843	\$ 1,249,449
Farm operating loans	419,961	8,408	428,369	978,064	154,501	44,039	1,176,604
Recreation loans	3,989	84	4,073	10,127	2,405	6,582	19,114
Emergency disaster loans	786,512	12,484	798,996	1,432,497	243,715	155,232	1,831,444
Emergency livestock loans	443	--	443	--	--	3,565	3,565
Economic emergency loans	386,497	6,728	393,225	591,986	139,713	103,984	835,683
Soil and water conservation loans	23,491	339	23,830	43,038	3,908	3,017	49,963
Irrigation and drainage loans	886	8	894	2,954	--	2,037	4,991
Grazing loans	2,659	40	2,699	7,173	--	2,037	9,210
Indian tribe land acquisition loans	4,654	32	4,686	12,236	--	2,077	14,313
Watershed protection and flood prevention loans	3,103	24	3,127	10,548	--	2,077	12,625
Resource conservation and development loans	665	104	769	2,532	601	2,312	5,445
Inactive loan programs	--	--	--	--	--	--	--
TOTAL	2,216,151	39,885	2,256,036	4,219,431	601,173	391,802	5,212,406
							-2,956,370

The following schedules present an analysis of outlays by loan program for fiscal years 1986, 1987 and 1988.

Agricultural Credit Insurance Fund

Analysis of Outlays by Loan Program Fiscal Year 1986 Actual (In Thousands of Dollars)

	Operating: Loans	Farm Ownership: Loans	Soil & Water: Loans	Graz- ing: Loans	Recrea- tion: Loans	Irrig- ation: Loans	Resource: & Cons. Dev. Loans	Flood & Water: Loans	Indian: Land: Loans	Emergency: Disaster: Loans	Emergency: Stock: Loans	Economic: Emergency: Loans	Inac- tive: Loans	Total
Funds for program operations:														
Funds expended:														
Loans made by the fund	\$2,247,511	\$379,133	\$4,824	--	--	\$61	\$52	\$1,581	\$2,817	\$221,583	--	\$688	--	\$2,858,250
Purchase of loans and certifi- cates of beneficial ownership:														
Collections disbursed to investors	4,405	7,010	242	\$11	19	--	4	7	15	21,040	--	4,513	--	37,266
Interest expense	7	8,936	41	785	772	64	26	336	59	--	--	--	--	11,026
Administrative expense	933,413	1,075,632	41,339	7,059	9,713	2,348	2,222	10,631	11,576	1,377,753	--	568,426	\$40	4,040,152
Loss settlement, guaranteed loans	--	--	--	--	--	--	--	--	--	46,430	\$858	15,433	--	62,721
Other	18,278	8,036	--	--	--	--	--	--	--	55	2,585	23,425	--	52,379
	10,774	70,396	2,031	101	85	25	33	7	36	66,028	112	23,268	--	172,896
Total funds expended	3,214,388	1,549,143	48,477	7,956	10,589	2,498	2,337	12,562	14,503	1,732,889	3,555	635,753	40	7,234,690
Funds received:														
Repayments on loans	2,039,137	213,508	12,382	1,198	3,136	437	745	2,477	998	458,460	--	135,272	31	2,867,781
Payment of interest on loans	306,237	302,037	12,774	1,881	3,497	673	771	2,860	3,662	248,225	--	161,843	9	1,044,469
Collections received for investors	--	7,611	29	745	735	72	30	521	50	--	--	--	--	9,793
Insurance premiums and guarantee fees	8,950	1,114	--	--	--	--	--	--	--	--	--	--	--	10,064
Other	5,671	25,104	883	54	121	19	151	20	22	24,499	29	12,300	--	68,873
Total funds received	2,359,995	549,374	26,068	3,878	7,489	1,201	1,697	5,878	4,732	731,184	29	309,415	40	4,000,980
OUTLAYS	854,393	999,769	22,409	4,078	3,100	1,297	640	6,684	9,771	1,001,705	3,526	326,338	--	3,233,710

Agricultural Credit Insurance Fund

Analysis of Outlays by Loan Program

Fiscal Year 1987 Estimated
(In Thousands of Dollars)

	Operating : Loans	Farm : Ownership : Loans	Soil & : Water : Loans	Indiv. : Loans	Grazing : Loans	Recreation : Loans	Irrig. & : Recreation : Loans	Resource : & Cons. : Loans	Flood & : Water : Loans	Indian : Land : Loans	Emergency : Disaster : Loans	Live- : Stock : Loans	Economic : Emergency : Loans	Inac- : tive : Loans	Total
Funds for program operations:															
Funds expended:															
Loans made by the fund	\$1,473,380	\$102,781	\$10,580						\$103	\$6,827	\$2,102	\$293,677		\$86	\$1,889,536
Purchase of loans and certificates of beneficial ownership:															
Collections disbursed to investors	2,037	3,242	112	\$5	9			2	4	7	9,732		2,087		17,237
Interest expense	6	7,700	34	676	665	\$55		23	290	51					9,500
Administrative expense	985,206	1,135,760	43,503	7,677	10,236	2,559		2,133	11,089	12,368	1,454,352		600,080		4,264,963
Loss settlement, guaranteed loans											57,031	\$1,055	18,951		77,037
Interest buy-down	32,806	14,420									94	4,643	42,037		94,000
Other	208,993	78,372	2,903												290,268
	15,915	104,028	2,989	153	128	26	51			51	97,565	179	34,387		255,472
Total funds expended	2,718,343	1,446,303	60,121	8,511	11,038	2,640	2,312	18,210	14,579	1,912,451	5,877	697,628			6,898,013
Funds received:															
Repayments on loans	1,848,600	193,440	11,180	1,300	2,860	260		780	2,340	1,040			122,460		2,600,000
Payment of interest on loans	293,200	289,200	12,200	1,800	3,400	600		700	2,700	3,500			155,000		1,000,000
Collections received for investors		5,829	22	571	563	55		23	399	38					7,500
Insurance premiums and guarantee fees	20,045	2,495													22,540
Other	6,628	29,356	1,031	65	145	24	177	24	24	24	28,647	32	14,384		80,537
Total funds received	2,168,473	520,320	24,433	3,736	6,968	939	1,680	5,463	4,602	682,087	32	291,844			3,710,577
OUTLAYS	549,870	925,983	35,688	4,775	4,070	1,701	632	12,747	9,977	1,230,364	5,845	405,784			3,187,436

Agricultural Credit Insurance Fund

Analysis of Outlays by Loan Program

Fiscal Year 1988 Estimated
(In Thousands of Dollars)

	Operating : Loans	Farm : Ownership : Loans	Soil & : Water : Loans	Indiv. : Loans	Grazing : Loans	Recreation : Loans	Irrigation : Loans	Resource : & Cons. : Loans	Flood : Water : Loans	Indian : Land : Loans	Emergency : Disaster : Loans	Live- : Stock : Loans	Economic : Emergency : Loans	Inac- : tive : Loans	Total
Funds for program operations:															
Funds expended:															
Loans made by the fund	\$ 899,285	\$ 126,650	\$ 1,128						\$ 620	\$ 5,706	\$ 737	\$ 584,700			\$1,618,826
Purchase of loans and certificates of beneficial ownership:															
Collections disbursed to investors	10,440	16,614	574	\$ 27	\$ 44				9	18	35	49,870		\$ 10,696	88,327
Interest expense	5	6,889	31	605	595	\$ 49	21	259			46				8,500
Administrative expense	973,904	1,122,730	43,003	7,589	10,118	2,530	2,108	10,962	12,226	1,437	667			593,196	4,216,033
Loss settlement, guaranteed loans												\$ 904	16,226		65,961
Interest buy-down	54,304	23,869									156	7,687	69,584		155,600
Other	133,200	49,950	1,850												185,000
	18,238	119,209	3,425	176	146	29	59			59	111,802	205	39,405		292,753
Total funds expended	2,089,376	1,465,911	50,011	8,397	10,903	2,608	2,817	16,945	13,103	2,233,026	8,796	729,107			6,631,000
Funds received:															
Repayments on loans	1,777,500	186,000	10,750	1,250	2,750	250	750	2,250	1,000	399,750			117,750		2,500,000
Payment of interest on loans ..	307,860	303,660	12,810	1,890	3,570	630	735	2,835	3,675	249,585			162,750		1,050,000
Collections received for investors		5,052	19	495	488	47	20	346	33						6,500
Insurance premiums and guarantee fees	22,708	2,827													25,535
Other	13,210	58,507	2,055	129	289	48	353	48	48	57,095	64	28,668			160,514
Total funds received	2,121,278	556,046	25,634	3,764	7,097	975	1,858	5,479	4,756	706,430	64	309,168			3,742,549
OUTLAYS	-31,902	909,865	24,377	4,633	3,806	1,633	959	11,466	8,347	1,526,596	8,732	419,939			2,888,451

Agricultural Credit Insurance Fund
Proposed for Later Transmittal, Proposed Legislation

On Basis of Loan Levels - Proposed Legislation

Budget Estimate, Current Law, 1988.....	\$4,600,000,000
Change due to proposed legislation.....	3,795,000,000
Net Request, President's 1988 Budget Request.....	-805,000,000

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION
(On basis of loan levels)

Item of Change	:	FY 1988	:	President's
	:	Current	:	Program
	:	Law	:	Changes
	:		:	Request
Farm ownership loans:	:		:	
Insured.....	:	\$ 130,000,000	:	-\$130,000,000
Guaranteed.....	:	390,000,000	:	-390,000,000
Farm operating loans:	:		:	
Insured.....	:	870,000,000	:	+130,000,000
Guaranteed.....	:	2,610,000,000	:	-110,000,000
Emergency disaster loans.....	:	600,000,000	:	-305,000,000
Soil and water loans:	:		:	
Insured.....	:	--	:	--
Guaranteed.....	:	--	:	--
Indian tribe land	:		:	
acquisition loans.....	:	--	:	--
Watershed protection and	:		:	
flood prevention loans.....	:	--	:	--
Resource conservation and	:		:	
development loans.....	:	--	:	--
TOTAL.....	:	4,600,000,000	:	-805,000,000
	:		:	3,795,000,000

EXPLANATION OF PROPOSED LEGISLATION

Legislation will be proposed to amend Public Law 99-198 which authorizes the loan levels for the farm ownership, farm operating and emergency disaster loan programs. The proposed legislation budget intends to maintain a farm operating loan program level until 1992 while shifting the mix from insured to entirely guaranteed loans in 1992. Also, the proposed legislation budget proposes to reduce the emergency disaster loan program to the FY 1987 level and terminate the insured and guaranteed farm ownership loan programs.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Agricultural Credit Insurance Fund

Farm Ownership Loan Program

	<u>1986</u> <u>Amount</u>	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>
Alabama.....	7,287,630	6,085,000	--
Alaska.....	---	473,000	--
Arizona.....	495,400	2,067,000	--
Arkansas.....	13,120,640	7,726,000	--
California.....	14,666,030	14,648,000	--
Colorado.....	9,849,800	5,604,000	--
Connecticut.....	1,268,700	1,266,000	--
Delaware.....	2,339,210	1,208,000	--
Florida.....	2,093,280	5,396,000	--
Georgia.....	7,095,260	6,953,000	--
Hawaii.....	3,477,950	1,687,000	--
Idaho.....	8,977,910	5,037,000	--
Illinois.....	33,942,040	23,331,000	--
Indiana.....	19,041,480	13,680,000	--
Iowa.....	52,610,000	28,337,000	--
Kansas.....	22,992,760	14,638,000	--
Kentucky.....	18,322,010	13,419,000	--
Louisiana.....	17,253,520	6,145,000	--
Maine.....	1,477,200	2,536,000	--
Maryland.....	3,676,480	3,870,000	--
Massachusetts.....	3,172,240	1,342,000	--
Michigan.....	16,846,030	8,614,000	--
Minnesota.....	28,296,470	18,253,000	--
Mississippi.....	10,404,440	6,141,000	--
Missouri.....	26,798,960	15,484,000	--
Montana.....	10,713,380	6,232,000	--
Nebraska.....	23,594,300	14,749,000	--
Nevada.....	615,000	2,208,000	--
New Hampshire.....	424,200	2,055,000	--
New Jersey.....	1,583,400	1,832,000	--
New Mexico.....	3,542,010	3,410,000	--
New York.....	8,248,040	7,509,000	--
North Carolina.....	11,713,830	11,057,000	--
North Dakota.....	12,944,000	8,872,000	--
Ohio.....	15,052,210	13,744,000	--
Oklahoma.....	19,537,180	10,702,000	--
Oregon.....	7,164,450	5,000,000	--
Pennsylvania.....	10,206,600	9,103,000	--
Rhode Island.....	362,700	767,000	--
South Carolina.....	4,763,670	4,489,000	--
South Dakota.....	10,466,620	8,526,000	--
Tennessee.....	9,831,270	9,906,000	--
Texas.....	28,580,460	26,496,000	--
Utah.....	3,108,800	3,510,000	--
Vermont.....	3,976,610	2,436,000	--
Virginia.....	8,821,640	7,288,000	--
Washington.....	6,578,000	5,626,000	--
West Virginia.....	2,227,040	1,671,000	--
Wisconsin.....	28,119,130	14,775,000	--
Wyoming.....	1,490,580	2,254,000	--
Puerto Rico.....	4,206,320	895,000	--
Trust Territories.....	---	474,000	--
Virgin Islands.....	29,660	474,000	--
Total, Available or Estimate.....	<u>563,406,540</u>	<u>400,000,000</u>	<u>--</u>

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Agricultural Credit Insurance Fund

Soil and Water Loan Program

	<u>1986</u> <u>Amount</u>	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>
Alabama.....	87,370	175,000	--
Arizona.....	---	600,000	--
Arkansas.....	676,590	2,805,000	--
California.....	365,890	1,500,000	--
Colorado.....	---	200,000	--
Connecticut.....	---	20,000	--
Delaware.....	---	200,000	--
Georgia.....	62,150	750,000	--
Idaho.....	422,880	450,000	--
Illinois.....	9,000	10,000	--
Indiana.....	4,000	25,000	--
Iowa.....	24,070	125,000	--
Kansas.....	138,000	600,000	--
Kentucky.....	120,120	400,000	--
Louisiana.....	203,620	200,000	--
Maine.....	6,000	100,000	--
Maryland.....	---	250,000	--
Massachusetts.....	35,000	50,000	--
Michigan.....	95,000	300,000	--
Minnesota.....	144,680	500,000	--
Mississippi.....	97,510	200,000	--
Missouri.....	67,300	1,500,000	--
Montana.....	129,460	130,000	--
Nebraska.....	---	125,000	--
Nevada.....	55,200	50,000	--
New Jersey.....	3,000	15,000	--
New Mexico.....	41,900	50,000	--
New York.....	62,000	200,000	--
North Carolina.....	35,200	35,000	--
North Dakota.....	136,000	150,000	--
Ohio.....	104,150	200,000	--
Oklahoma.....	147,740	150,000	--
Oregon.....	414,370	400,000	--
Pennsylvania.....	96,860	100,000	--
South Carolina.....	---	20,000	--
South Dakota.....	---	30,000	--
Tennessee.....	1,500	100,000	--
Texas.....	445,640	550,000	--
Utah.....	185,400	200,000	--
Vermont.....	148,070	150,000	--
Virginia.....	---	50,000	--
Washington.....	163,900	150,000	--
West Virginia.....	18,650	25,000	--
Wisconsin.....	70,800	100,000	--
Puerto Rico.....	56,000	60,000	--
Virgin Islands.....	30,090	---	--
Total, Available or Estimate.....	<u>4,905,110</u>	<u>14,000,000</u>	<u>--</u>

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Agricultural Credit Insurance Fund

Indian Land Acquisition Loan Program

	<u>1986</u> <u>Amount</u>	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>
Arizona.....	404,000	---	---
Idaho.....	1,000,000	500,000	---
Montana.....	---	500,000	---
North Dakota.....	<u>---</u>	<u>1,000,000</u>	<u>---</u>
 Total, Available or Estimate.....	 <u>1,404,000</u>	 <u>2,000,000</u>	 <u>---</u>

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Agricultural Credit Insurance Fund

Farm Operating Loan Program

	<u>1986</u> <u>Amount</u>	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>
Alabama.....	41,813,220	55,997,000	54,519,000
Alaska.....	27,880	579,000	564,000
Arizona.....	5,330,820	13,012,000	12,668,000
Arkansas.....	97,547,590	90,764,000	88,368,000
California.....	50,450,060	99,146,000	96,529,000
Colorado.....	29,415,130	44,580,000	43,403,000
Connecticut.....	2,704,130	7,346,000	7,152,000
Delaware.....	1,603,900	8,470,000	8,246,000
Florida.....	13,527,740	34,220,000	33,317,000
Georgia.....	68,533,880	74,390,000	72,426,000
Hawaii.....	1,219,230	8,896,000	8,661,000
Idaho.....	45,363,470	46,700,000	45,467,000
Illinois.....	131,984,310	182,907,000	178,078,000
Indiana.....	76,600,810	110,029,000	107,124,000
Iowa.....	430,801,050	282,832,000	275,365,000
Kansas.....	117,131,200	115,261,000	112,218,000
Kentucky.....	58,708,750	105,807,000	103,013,000
Louisiana.....	201,814,370	108,630,000	105,762,000
Maine.....	2,186,700	23,412,000	22,794,000
Maryland.....	4,912,690	23,733,000	23,106,000
Massachusetts.....	16,708,590	8,279,000	8,060,000
Michigan.....	85,856,060	77,579,000	75,531,000
Minnesota.....	305,443,030	201,817,000	196,489,000
Mississippi.....	127,327,102	94,135,000	94,571,000
Missouri.....	118,915,610	139,118,000	135,445,000
Montana.....	65,390,960	51,254,000	49,901,000
Nebraska.....	263,723,260	148,269,000	144,355,000
Nevada.....	2,361,230	13,711,000	13,349,000
New Hampshire.....	789,700	13,117,000	12,771,000
New Jersey.....	3,570,650	10,990,000	10,670,000
New Mexico.....	13,663,230	25,666,000	24,988,000
New York.....	30,118,200	59,665,000	58,089,000
North Carolina.....	51,370,730	88,074,000	85,748,000
North Dakota.....	143,815,140	117,271,000	114,175,000
Ohio.....	71,835,910	115,758,000	112,702,000
Oklahoma.....	125,986,750	97,030,000	94,468,000
Oregon.....	24,716,770	40,777,000	39,700,000
Pennsylvania.....	19,640,300	62,835,000	61,176,000
Rhode Island.....	298,320	4,181,000	4,070,000
South Carolina.....	35,998,700	44,060,000	42,896,000
South Dakota.....	81,019,810	73,435,000	71,496,000
Tennessee.....	66,095,100	90,927,000	88,527,000
Texas.....	280,830,260	258,221,000	248,427,000
Utah.....	8,563,130	23,066,000	22,457,000
Vermont.....	6,319,820	16,860,000	16,415,000
Virginia.....	21,175,770	51,112,000	49,763,000
Washington.....	30,615,530	47,706,000	46,447,000
West Virginia.....	3,695,340	11,896,000	11,582,000
Wisconsin.....	146,981,970	146,282,000	142,420,000
Wyoming.....	29,980,810	17,335,000	16,877,000
Puerto Rico.....	5,932,250	6,842,000	6,661,000
Trust Territories.....	34,830	442,000	430,000
Virgin Islands.....	---	579,000	564,000
Total, Available or Estimate.....	<u>3,570,451,792</u>	<u>3,595,000,000</u>	<u>3,500,000,000</u>

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Agricultural Credit Insurance Fund

Emergency Loan Program

	<u>1986</u> <u>Amount</u>	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>
Alabama.....	948,260	--	--
Arizona.....	18,700	--	--
Arkansas.....	92,030	--	--
California.....	2,008,710	--	--
Connecticut.....	294,890	--	--
Florida.....	1,853,200	--	--
Georgia.....	894,770	--	--
Hawaii.....	47,270	--	--
Idaho.....	18,990,910	--	--
Illinois.....	876,520	--	--
Indiana.....	11,300	--	--
Iowa.....	3,933,890	--	--
Kansas.....	3,946,800	--	--
Louisiana.....	36,545,580	--	--
Maine.....	100,670	--	--
Maryland.....	98,410	--	--
Massachusetts.....	71,000	--	--
Michigan.....	6,722,220	--	--
Minnesota.....	8,235,560	--	--
Mississippi.....	1,629,550	--	--
Missouri.....	2,112,840	--	--
Montana.....	62,039,220	--	--
Nebraska.....	5,430,010	--	--
Nevada.....	9,500	--	--
New Jersey.....	365,500	--	--
New York.....	4,682,960	--	--
North Carolina.....	3,661,780	--	--
North Dakota.....	5,592,500	--	--
Ohio.....	111,480	--	--
Oklahoma.....	1,372,750	--	--
Oregon.....	1,068,720	--	--
Pennsylvania.....	435,700	--	--
Rhode Island.....	191,720	--	--
South Carolina.....	340,940	--	--
South Dakota.....	15,975,770	--	--
Tennessee.....	365,190	--	--
Texas.....	2,662,290	--	--
Utah.....	787,310	--	--
Virginia.....	309,080	--	--
Washington.....	9,770,480	--	--
West Virginia.....	952,710	--	--
Wisconsin.....	8,296,210	--	--
Wyoming.....	1,249,800	--	--
Puerto Rico.....	2,669,330	--	--
Total, Available or Estimate.....	<u>217,774,030</u>	<u>295,000,000</u> ^{1/}	<u>295,000,000</u> ^{1/}

¹ / Cannot be distributed by geographic area in advance.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Agricultural Credit Insurance Fund

Insured Watershed and Flood Prevention Loan Program

	<u>1986</u> <u>Amount</u>	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>
Arkansas.....	325,000	775,000	--
Iowa.....	---	2,833,000	--
Massachusetts.....	---	350,000	--
Missouri.....	<u>---</u>	<u>3,991,000</u>	<u>--</u>
Total, Available or Estimate.....	<u>325,000</u>	<u>7,949,000</u>	<u>--</u>

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Agricultural Credit Insurance Fund

Resource Conservation and Development Loan Program

	<u>1986</u> <u>Amount</u>	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>
Montana.....	---	125,000	---
Oregon.....	---	350,000	---
South Dakota.....	---	375,000	---
Wisconsin.....	---	120,000	---
Wyoming.....	<u>---</u>	<u>237,000</u>	<u>---</u>
Total, Available or Estimate.....	<u>---</u>	<u>1,207,000</u>	<u>---</u>

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Agricultural Credit Insurance Fund

Interest Buy-Down Program

	<u>1986 Amount</u>	<u>1987 Amount</u>	<u>1988 Amount</u>
Arkansas.....	38,330	--	--
Colorado.....	49,501	--	--
Idaho.....	29,145	--	--
Illinois.....	998,887	--	--
Indiana.....	58,686	--	--
Iowa.....	2,774,077	--	--
Kansas.....	354,230	--	--
Kentucky.....	51,800	--	--
Louisiana.....	57,118	--	--
Michigan.....	490,341	--	--
Minnesota.....	1,853,416	--	--
Mississippi.....	5,680	--	--
Missouri.....	782,038	--	--
Montana.....	138,406	--	--
Nebraska.....	229,118	--	--
New York.....	41,063	--	--
North Dakota.....	481,223	--	--
Ohio.....	41,090	--	--
Oklahoma.....	55,380	--	--
Pennsylvania.....	32,970	--	--
South Dakota.....	110,188	--	--
Tennessee.....	44,258	--	--
Texas.....	16,822	--	--
Vermont.....	20,980	--	--
Virginia.....	48,500	--	--
Wisconsin.....	761,507	--	--
Wyoming.....	7,480	--	--
Total, Available or Estimate.....	<u>9,572,224</u>	<u>290,267,766</u> 1/	<u>185,000,000</u> 1/

1/ Cannot be distributed by geographic area in advance.

FARMERS HOME ADMINISTRATION

The 1988 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Development Insurance Fund:

- 1 [For direct and guaranteed loans as authorized by 7 U.S.C. 1928 and 86 Stat. 661-664, to be available from funds in the Rural Development Insurance Fund, as follows: insured water and sewer facility loans, \$330,380,000; guaranteed industrial development loans, \$95,700,000; and
- 2 insured community facility loans, \$95,700,000.] During fiscal year 1988, no new direct loan obligations and no new guaranteed loan commitments may be made.

For an additional amount to reimburse the Rural Development Insurance Fund for interest subsidies and losses sustained in prior years, but not previously reimbursed, in carrying out the provisions of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1988(a)),
 [\$656,645,000] \$842,682,000.

- 3 [Sec. 641, (a) Section 1323(a)(1) of the Food Security Act of 1985 is amended by striking out "September 30, 1986," and inserting in lieu thereof "September 30, 1987," and (b) Section 1323(a) is further amended by adding at the end thereof a new subsection- "(5) Notwithstanding any provision to the contrary of subsection (4) above, the \$20,000,000 which was available pursuant to subsection (4) shall continue to be available and shall be used by the Secretary prior to September 30, 1987, to guarantee loans for the national rural development and finance program and shall remain available until expended."]

The first change eliminates the appropriation language for the loan programs under this fund. No programs are being proposed for fiscal year 1988.

The second change adds language that directs that no new direct loan obligations may be made during fiscal year 1988.

The third change eliminates FmHA's authority to make guaranteed rural development finance corporation loans.

Rural Development Insurance Fund

(a) On Basis of Loan Levels

Program Loan Levels, 1987.....	\$540,920,000
Program Loan Levels, 1988.....	--
Decrease in Loan Levels.....	<u><u>-540,920,000</u></u>

SUMMARY OF DECREASES
On basis of loan levels)

Item of Change	1987 Authorized	Program Changes	1988 Estimated
Water and waste disposal loans....	\$ 83,380,000	-\$ 83,380,000	--
Community facility loans.....	23,700,000	-23,700,000	--
Business and industrial loans....	95,700,000	-95,700,000	--
Rural development finance corporation loans.....	19,140,000	-19,140,000	--
TOTAL PROGRAM LEVEL - ADJUSTED FOR PROPOSED SUPPLEMENTAL.....	221,920,000	-221,920,000	--
Proposed Supplemental: a/ Water and waste disposal loans..	247,000,000	-247,000,000	--
Community facility loans.....	72,000,000	-72,000,000	--
TOTAL PROPOSED SUPPLEMENTAL.....	319,000,000	-319,000,000	--
TOTAL PROGRAM LEVEL - AUTHORIZED..	540,920,000	-540,920,000	--

a/ A proposed supplemental has been submitted to Congress to reduce loan authority by \$319 million.

PROJECT STATEMENT
(On basis of loan levels)
(In thousands of dollars)

Project	1986 Actual	1987 Estimated	Decrease	1988 Estimated
Rural Development Assistance:				
Water and waste disposal loans:				
Water supply.....	\$170,399	\$ 43,358	-\$ 43,358	--
Waste disposal.....	145,575	37,521	-37,521	--
Combination water supply and waste disposal.....	9,406	2,501	-2,501	--
Subtotal, water and waste disposal loans.....	325,380	83,380	-83,380(1)	--
Community facility loans.....	95,700	23,700	-23,700(2)	--
Business & industrial loans.....	54,803	95,700	-95,700(3)	--
Rural development finance corporation loans.....	--	19,140	-19,140(4)	--
TOTAL PROGRAM LEVEL - ADJUSTED FOR PROPOSED SUPPLEMENTAL.....	--	221,920	-221,920	--
Proposed Supplemental: a/ Water and waste disposal loans..	--	247,000	-247,000	--
Community facility loans.....	--	72,000	-72,000	--
TOTAL PROPOSED SUPPLEMENTAL.....	--	319,000	-319,000	--
TOTAL PROGRAM LEVEL - AUTHORIZED..	475,883	540,920	-540,920	--

Staff-years are reflected in the Salaries and Expenses Project Statement.
a/ A proposed supplemental has been submitted to Congress to reduce loan authority by \$319 million.

EXPLANATION OF PROGRAM

The Rural Development Act of 1972 authorized the establishment of the Rural Development Insurance Fund under section 309A of the Consolidated Farm and Rural Development Act. This Act provided for transfer to the Rural Development Insurance Fund the assets and liabilities of the Agricultural Credit Insurance Fund applicable to loans for water systems and waste disposal facilities. This fund is used to insure or guarantee loans for water systems and waste disposal facilities, community facilities and industrial development in rural areas.

1. Water and waste disposal loans. Loans are made to public bodies, organizations operated on a not for profit basis and Indian tribes on Federal and State Reservations and other Federally recognized Indian tribes, for the development of storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas. A rural area includes any area in any city or town which has a population of not more than 10,000 inhabitants.

Applicants must be unable to obtain sufficient credit elsewhere to finance actual needs at reasonable rates and terms. FmHA loans are repayable in not more than 40 years or the useful life of the facility, whichever is less. These loans bear interest not in excess of the current market yield for comparable term municipal obligations. Those loans, made in areas where the median household income falls below the higher of 80 percent of the statewide nonmetropolitan median household income or the poverty level and the project is needed to meet health or sanitary standards, bear interest not in excess of 5 percent, the poverty line interest rate. The intermediate interest rate, which is the poverty line rate plus one-half the difference between the poverty line rate and the market rate, with a ceiling of 7 percent, applies when the loan does not meet the requirements of the poverty line rate and the median household income of the service area is not more than 100 percent of the nonmetropolitan median household income of the State.

2. Community facility loans. Loans are made to public bodies, organizations operated on a not for profit basis and Indian tribes on Federal and State Reservations and other Federally recognized Indian tribes, to construct, enlarge, extend, or otherwise improve community facilities which provide essential services to rural residents. Such facilities include those providing or supporting overall community development such as fire and rescue services, health care, hydroelectric generation, and community, social, and cultural benefits. Loans are made for facilities which primarily serve rural residents of open country and rural towns and villages of not more than 20,000 population.

Applicants must be unable to obtain sufficient credit elsewhere to finance actual needs at reasonable rates and terms. Loans are repayable in not more than the useful life of the facility or 40 years, whichever is less. These loans bear interest not in excess of the current market yield for comparable term municipal obligations. Those loans, made in areas where the median household income falls below the higher of 80 percent of the statewide nonmetropolitan median household income or the poverty level and the project is needed to meet health or sanitary standards, bear interest not in excess of 5 percent, the poverty line interest rate. The intermediate interest rate, which is the poverty line rate plus one-half the difference between the poverty line rate and the market rate, with a ceiling of 7 percent, applies when the loan does not meet the requirements of the poverty line rate and the median household income of the service area is not more than 100 percent of the nonmetropolitan median household income of the State.

3. Business and industrial development loans. These guaranteed loans are made to public, private, or cooperative organizations organized for profit or nonprofit, to certain Indian tribes, or to individuals for the purpose of improving the economic and environmental climate in rural areas. Such purposes include financing business and industrial acquisition, construction, conversion, enlargement, repair or modernization; financing the purchase and development of land, easements, rights-of-way, buildings, equipment, facilities, machinery, supplies and materials; and paying start-up costs and supplying working capital. Industrial development loans may be made in any area that is not within the outer boundary of any city having a population of 50,000 or more and its immediately adjacent urbanized and urbanizing areas with a population density of more than 100 persons per square mile. Special consideration for such loans is given to rural areas and cities having a population of 25,000 or less. To obtain a loan, a borrower must have the legal capacity necessary for constructing, operating, and maintaining the proposed facility and for obtaining, securing, and repaying the loan. A borrower must be financially sound and so organized and managed that efficient service will be provided. Loans may be guaranteed by FmHA not to exceed 90 percent of the loss. Guaranteed loans are repayable in not more than 30 years, depending on the loan purpose, and bear interest at a rate agreed upon by the lender and borrower.

4. Rural development finance corporation loans. The Food Security Act of 1985, Public Law 99-198, provided for these guaranteed loans to be made in conjunction with rural development finance corporation grants authorized under the Rural Development Loan Fund. The objective of this program is to guarantee loans made by public agencies to nonprofit national rural development and finance corporations that establish statewide rural development and finance programs for the purpose of providing loans, guarantees, and other financial assistance to local businesses to improve business, industry and employment opportunities in rural areas.

JUSTIFICATION OF DECREASES

- (1) A decrease of \$83,380,000 for water and waste disposal loans (\$83,380,000 available in 1987).

Need for Change. Consistent with the Administration's efforts to reduce the size and scope of Federal programs and their adverse impact on the management of future fiscal policy and deficit targets, it is proposed that the water and waste disposal loan program be terminated. Communities will rely on the private credit market and their State government for funds for these purposes.

Nature of Change. In FY 1987 it is estimated that this program will provide 173 loans. No new loans would be made in FY 1988.

- (2) A decrease of \$23,700,000 for community facility loans (\$23,700,000 available in 1987).

Need for Change. Consistent with the Administration's efforts to reduce the size and scope of Federal programs and their adverse impact on the management of future fiscal policy and deficit targets, it is proposed that the community facility loan program be terminated. Communities will rely on the private credit market and their State government for funds for these purposes.

Nature of Change. In FY 1987 this program will provide an estimated 46 loans. No new loans would be made in FY 1988.

- (3) A decrease of \$95,700,000 for guaranteed business and industrial loans (\$95,700,000 available in 1987).

Need for Change. Consistent with the Administration's policy of reducing Federally assisted credit activities, it is proposed that the business and industry loan program be terminated. Industrial development has long been an area of state and local interest via the issuance of State revenue bonds to encourage the location of business and industry. Furthermore, reliance on Federal financing for business development is less economically efficient than private capital markets.

Nature of Change. In FY 1987 this program will provide an estimated 62 loans. No new loans would be made in FY 1988.

- (4) A decrease of \$19,140,000 for guaranteed rural development finance corporation loans (\$19,140,000 available in 1987).

Need for change. Consistent with the Administration's policy of reducing Federally assisted credit activities, it is proposed that the rural development finance corporation loan program be terminated. Federal guarantees of loans made by public agencies is unnecessary since these agencies have the ability to provide similar guarantees on their own.

Nature of change. In FY 1987 this program will provide an estimated 19 loans. No new loans would be made in FY 1988.

(b) Reimbursement for Interest Subsidies and Losses

Appropriation Act, 1987.....	\$656,645,000
Budget Estimate, 1988.....	842,682,000
Increase in Appropriation.....	<u>+186,037,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	1986 Actual	1987 Actual	Increase	1988 Estimated
Reimbursement for Interest :				
Subsidies and Losses:				
Water and waste disposal				
loans:				
Water supply.....	\$326,121,000	\$355,799,000	+\$11,731,000	\$367,530,000
Waste disposal.....	124,290,000	140,576,000	+7,247,000	147,823,000
Community facility loans..	118,991,000	128,869,000	+1,597,000	130,466,000
Business and indus-				
trial loans.....	951,000	10,020,000	+59,925,000	69,945,000
Total Losses.....	612,098,000	681,166,000	+81,524,000(1)	762,690,000
Amount of losses not				
appropriated in FY 1986..	-55,471,000	--	--	--
Appropriation for FY 1984				
losses not reimbursed				
in FY 1986.....	--	+55,471,000	-55,471,000(2)	--
Amount of losses not				
appropriated in FY 1987..	--	-79,992,000	+79,992,000	--
Appropriation for FY 1985				
losses not reimbursed				
in FY 1987.....	--	--	+79,992,000(3)	+79,992,000
Total Appropriation.....	556,627,000	656,645,000	+186,037,000	842,682,000

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This appropriation is proposed to reimburse the Rural Development Insurance Fund for funded interest subsidies and losses incurred in fiscal years 1985 and 1986.

JUSTIFICATION OF INCREASES

- (1) An increase of \$81,524,000 for reimbursement of interest subsidies and losses incurred in 1986 (\$681,166,000 in interest subsidies and losses incurred in 1985).

Need for Change. The amount requested will reimburse the Rural Development Insurance Fund for interest subsidies and losses incurred in FY 1986. The loss results primarily from the difference between interest rates charged to borrowers and the rate which the Government must pay for its own borrowing. The loans made from this fund prior to October 1, 1981, were subject to an interest rate ceiling of 5 percent which was set by statute in July, 1954. Currently, loans are made at either the poverty line rate, which is not in excess of 5 percent; the intermediate rate, which is the poverty line rate plus one-half the difference between the poverty line rate and the market rate with a ceiling of 7 percent, or the market rate, which is based on the current market yield for comparable term municipal obligations. The interest rate of the loan depends on the rural community's median household income and the need for the project to meet health or sanitary standards.

Nature of Change. The amount requested will reimburse the Rural Development Insurance Fund for interest subsidies and losses incurred in FY 1986.

- (2) A decrease of \$55,471,000 for reimbursement of interest subsidies and losses incurred in FY 1984, not reimbursed in FY 1986.

Need for Change. The amount of losses not appropriated in FY 1986 for FY 1984 losses was \$55,471,000.

Nature of change. The amount of interest subsidies and losses incurred in FY 1984 that were not reimbursed in FY 1986, but in FY 1987.

- (3) The increase of \$79,992,000 for reimbursement of interest subsidies and losses incurred in FY 1985, not reimbursed in FY 1987.

Need for Change. The amount of reimbursement results primarily from the difference between interest rates charged to the borrowers and the rate which the Government must pay for its own borrowing. The purpose of reimbursement for losses is to replenish the Fund for losses incurred. Any losses not reimbursed results in increased Treasury borrowings in order to maintain the Fund. This additional Treasury borrowing results in increased losses (interest expenses) to the Fund.

Nature of change. The amount requested will reimburse the Rural Development Insurance Fund for interest subsidies and losses incurred in FY 1985 that were not reimbursed in FY 1987.

The following schedule presents an analysis of change in the cash position of the Fund.

Change in Cash Position of the Fund
(In thousands of dollars)

	<u>1986</u> <u>Actual</u>	<u>1987</u> <u>Estimated</u>	<u>1988</u> <u>Estimated</u>
Cash balance, beginning of year.....	\$ 56,209	\$ 27,025	\$ 12,198
Outlays.....	<u>-955,811</u>	<u>-21,327</u>	<u>-418,887</u>
Funds for financing:			
Appropriation for reimbursement of interest subsidies and losses....	556,627	656,645	842,682
Treasury borrowings.....	345,000	1,339,855	950,000
Repayment of borrowings from Treasury.....	-210,000	-345,000	-600,000
FFB borrowings.....	265,000	--	--
Repayment of borrowings from FFB.....	<u>-30,000</u>	<u>-1,645,000</u>	<u>-720,000</u>
Net financing.....	<u>926,627</u>	<u>6,500</u>	<u>472,682</u>
Cash balance, end of year.....	<u>27,025</u>	<u>12,198</u>	<u>65,993</u>

As of September 30, 1988, the principal amount of contingent liabilities under insurance programs is estimated to be \$1.6 billion.

An analysis by loan program of the accrued operating deficit, exclusive of unfunded losses, is shown in the following tables. In accordance with the accounting principles and standards followed by FmHA, this schedule is prepared on an accrual basis.

Rural Development Insurance Fund
Operating Income and Expense Statement
(In Thousands of Dollars)

	Income			Expenses			Net Total
	Interest	Other	Total	Interest	Write- offs	Other	
1986 Actual							
Water and waste disposal loans:							
Water supply.....	229,599	-10	229,589	597,103	10	6	597,119
Waste disposal.....	90,511	-5	90,506	238,327	--	2	238,329
Combination water supply and waste disposal.....	27,399	-1	27,398	74,323	--	1	74,324
Community facility loans.....	85,544	-2	85,542	215,835	1	172	216,008
Business and industrial loans.....	19,368	3,822	23,190	15,055	12	78,068	93,135
TOTAL.....	452,421	3,804	456,225	1,140,643	23	78,249	1,218,915
1987 Estimate							
Water and waste disposal loans:							
Water supply.....	251,139	-9	251,130	584,041	12	5	584,058
Waste disposal.....	99,002	-4	98,998	233,113	--	2	233,115
Combination water supply and waste disposal.....	29,970	-1	29,969	72,697	--	--	72,697
Community facility loans.....	93,570	-2	93,568	211,113	2	135	211,250
Business and industrial loans.....	21,185	3,307	24,492	14,726	--	61,095	75,821
Sale of assets.....	--	--	--	--	--	676,051	676,051
TOTAL.....	494,866	3,291	498,157	1,115,690	14	737,288	1,852,992
							-1,354,835

Rural Development Insurance Fund

Operating Income and Expense Statement - Continued
(In Thousands of Dollars)

	Income		Expenses				Net Total
	Interest	Other	Total	Interest	Write- offs	Other	Total
1988 Estimate							
Water and waste disposal loans:							
Water supply.....	207,528	-9	207,519	480,200	12	4	480,216
Waste disposal.....	81,810	-4	81,806	191,667	--	2	191,669
Combination water supply and waste disposal.....	24,765	-1	24,764	59,772	--	--	59,772
Community facility loans.....	77,321	-2	77,319	173,578	2	113	173,693
Business and industrial loans.....	17,506	3,367	20,873	12,107	--	51,192	63,299
Sale of assets.....	--	--	--	--	--	444,000	444,000
TOTAL.....	408,930	3,351	412,281	917,324	14	495,311	1,412,649
							-1,000,368

The following schedules present an analysis of outlays by loan program for fiscal years 1986, 1987 and 1988.

Rural Development Insurance Fund

Analysis of Outlays by Loan Program
Fiscal Year 1986 Actual
(In thousands of dollars)

	Water Supply Loans	Waste Disposal Loans	Combination Water Supply & Waste Dis- posal Loans	Community Facility Loans	Business & Industrial Loans	Total
<u>Funds for program operation:</u>						
<u>Funds expended:</u>						
Loans made by the fund.....	212,729	125,994	26,574	87,744	--	453,041
Purchase of certificates of beneficial ownership.....	3,942	1,662	633	1,538	452	8,227
Purchase of loans.....	1,693	181	--	--	--	1,874
Collections disbursed to investors.....	6,792	1,634	987	--	--	9,413
Interest expense.....	569,667	226,564	70,644	205,973	12,231	1,085,079
Investment in guaranteed loans.....	--	--	--	--	97,731	97,731
Loss settlement, guaranteed loans.....	387,475	105,703	66,369	--	76,646	76,646
Other.....	--	--	--	--	92	559,639
Total funds expended.....	1,182,298	461,738	165,207	295,255	187,152	2,291,650
<u>Funds received:</u>						
Repayments on loans.....	89,930	47,493	17,430	58,618	1,882	215,353
Payment of interest on loans.....	226,060	88,043	27,391	84,181	2,465	428,140
Sale of assets without recourse.....	--	--	--	--	--	--
Collections received for investors.....	7,329	2,075	1,090	--	--	10,494
Payments on investment in guaranteed loans.....	--	--	--	--	132,097	132,097
Insurance premiums and guarantee fees.....	2	--	--	--	730	732
Other.....	292,148	111,288	37,413	106,746	1,428	549,023
Total funds received.....	615,469	248,899	83,324	249,545	138,602	1,335,839
Outlays.....	566,829	212,839	81,883	45,710	48,550	955,811

Rural Development Insurance Fund

Analysis of Outlays by Loan Program
 Fiscal Year 1987 Estimated
 (In thousands of dollars)

	Water Supply Loans	Waste Disposal Loans	Combination Water Supply & Waste Dis- posal Loans	Community Facility Loans	Business & Industrial Loans	Total
Funds for program operation:						
Funds expended:						
Loans made by the fund.....	185,074	109,615	23,120	76,337	--	394,146
Purchase of certificates of beneficial ownership.....	2,530	1,066	406	987	290	5,279
Purchase of loans.....	61	6	--	--	--	67
Collections disbursed to investors.....	6,638	1,597	965	--	--	9,200
Interest expense.....	611,163	243,067	75,790	220,976	13,122	1,164,118
Investment in guaranteed loans.....	--	--	--	--	99,000	99,000
Loss settlement, guaranteed loans.....	--	--	--	--	59,000	59,000
Other.....	1,102	300	189	--	--	1,591
Total funds expended.....	806,568	355,651	100,470	298,300	171,412	1,732,401
Funds received:						
Repayments on loans.....	34,360	18,146	6,659	22,396	719	82,280
Payment of interest on loans.....	217,433	84,683	26,346	80,969	2,371	411,802
Sale of assets without recourse.....	702,180	135,831	122,018	191,085	--	1,151,114
Collections received for investors.....	6,425	1,819	956	--	--	9,200
Payments on investment in guaranteed loans.....	--	--	--	--	55,695	55,695
Insurance premiums and guarantee fees.....	2	--	--	--	861	863
Other.....	64	24	8	23	1	120
Total funds received.....	960,464	240,503	155,987	294,473	59,647	1,711,074
Outlays.....	-153,896	115,148	-55,517	3,827	111,765	21,327

Rural Development Insurance Fund

Analysis of Outlays by Loan Program
Fiscal Year 1988 Estimated
(In thousands of dollars)

	Water Supply Loans	Waste Disposal Loans	Combination Water Supply & Waste Dis- posal Loans	Community Facility Loans	Business & Industrial Loans	Total
Funds for program operation:						
Funds expended:						
Loans made by the fund.....	198,461	118,232	25,335	80,229	--	422,257
Purchase of certificates of beneficial ownership.....	69,477	28,949	11,579	27,501	7,237	144,743
Purchase of loans.....	84,521	9,391	--	--	--	93,912
Collections disbursed to investors.....	6,480	1,620	900	--	--	9,000
Interest expense.....	508,122	205,203	68,401	185,660	9,772	977,158
Investment in guaranteed loans.....	--	--	--	--	80,000	80,000
Loss settlement, guaranteed loans.....	--	--	--	--	50,000	50,000
Other.....	1,533	422	267	--	--	2,222
Total funds expended.....	868,594	363,817	106,482	293,390	147,009	1,779,292
Funds received:						
Repayments on loans.....	74,548	39,049	14,200	47,924	1,775	177,496
Payment of interest on loans.....	187,101	70,604	21,181	70,604	3,530	353,020
Sale of assets without recourse.....	461,160	89,208	80,136	125,496	--	756,000
Collections received for investors.....	6,300	1,800	900	--	--	9,000
Payments on investment in guaranteed loans.....	--	--	--	--	62,094	62,094
Insurance premiums and guarantee fees....	2	--	--	--	--	2
Other.....	1,480	559	187	559	8	2,793
Total funds received.....	730,591	201,220	116,604	244,583	67,407	1,360,405
Outlays.....	138,003	162,597	-10,122	48,807	79,602	418,887

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Rural Development Insurance Fund

Water and Waste Disposal Loan Program

	<u>1986</u> <u>Amount</u>	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>
Alabama.....	7,462,500	9,638,000	--
Alaska.....	75,000	665,000	--
Arizona.....	2,186,000	2,251,000	--
Arkansas.....	11,439,100	7,019,000	--
California.....	4,446,500	10,101,000	--
Colorado.....	62,000	2,629,000	--
Connecticut.....	7,398,900	2,897,000	--
Delaware.....	--	876,000	--
Florida.....	9,092,000	8,026,000	--
Georgia.....	10,938,000	12,139,000	--
Hawaii.....	--	605,000	--
Idaho.....	475,600	2,249,000	--
Illinois.....	2,057,000	9,617,000	--
Indiana.....	6,639,100	9,077,000	--
Iowa.....	7,367,400	5,474,000	--
Kansas.....	2,922,200	3,697,000	--
Kentucky.....	16,865,000	11,328,000	--
Louisiana.....	15,914,300	8,416,000	--
Maine.....	13,078,800	3,083,000	--
Maryland.....	4,222,600	3,851,000	--
Massachusetts.....	7,362,100	4,288,000	--
Michigan.....	9,906,000	13,202,000	--
Minnesota.....	6,235,000	6,112,000	--
Mississippi.....	10,334,300	9,918,000	--
Missouri.....	4,143,900	8,025,000	--
Montana.....	449,600	1,896,000	--
Nebraska.....	863,000	2,775,000	--
Nevada.....	126,800	513,000	--
New Hampshire.....	4,635,800	1,939,000	--
New Jersey.....	4,101,800	3,713,000	--
New Mexico.....	--	2,197,000	--
New York.....	7,808,300	14,513,000	--
North Carolina.....	26,581,000	16,957,000	--
North Dakota.....	2,105,700	1,738,000	--
Ohio.....	10,681,000	13,698,000	--
Oklahoma.....	6,913,400	5,245,000	--
Oregon.....	1,364,300	4,147,000	--
Pennsylvania.....	15,509,800	17,330,000	--
Rhode Island.....	3,860,000	581,000	--
South Carolina.....	9,585,000	8,314,000	--
South Dakota.....	2,966,200	2,161,000	--
Tennessee.....	12,682,000	10,969,000	--
Texas.....	14,796,600	16,213,000	--
Utah.....	1,076,600	1,093,000	--
Vermont.....	2,613,200	1,669,000	--
Virginia.....	18,758,400	8,991,000	--
Washington.....	5,821,500	5,129,000	--
West Virginia.....	7,825,000	6,881,000	--
Wisconsin.....	838,700	7,357,000	--
Wyoming.....	56,000	746,000	--
Puerto Rico.....	2,737,000	17,434,000	--
Trust Territories.....	--	499,000	--
Virgin Islands.....	--	499,000	--
Total, Available or Estimate.....	<u>325,380,000</u>	<u>330,380,000</u>	<u>--</u>

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Rural Development Insurance Fund

Community Facilities Loan Program

	<u>1986</u> <u>Amount</u>	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>
Alabama.....	50,000	2,681,000	--
Alaska.....	2,965,600	578,000	--
Arizona.....	800,000	626,000	--
Arkansas.....	457,800	1,952,000	--
California.....	1,650,000	2,810,000	--
Colorado.....	59,900	731,000	--
Connecticut.....	3,329,000	806,000	--
Delaware.....	---	578,000	--
Florida.....	3,020,500	2,232,000	--
Georgia.....	830,000	3,377,000	--
Hawaii.....	---	578,000	--
Idaho.....	75,000	625,000	--
Illinois.....	2,234,000	2,675,000	--
Indiana.....	---	2,526,000	--
Iowa.....	1,250,000	1,522,000	--
Kansas.....	54,700	1,029,000	--
Kentucky.....	1,000,000	3,151,000	--
Louisiana.....	4,419,500	2,341,000	--
Maine.....	6,095,800	858,000	--
Maryland.....	2,871,600	1,071,000	--
Massachusetts.....	4,365,630	1,193,000	--
Michigan.....	---	3,672,000	--
Minnesota.....	2,988,900	1,700,000	--
Mississippi.....	262,000	2,759,000	--
Missouri.....	2,105,000	2,232,000	--
Montana.....	---	578,000	--
Nebraska.....	637,000	772,000	--
Nevada.....	---	578,000	--
New Hampshire.....	978,070	578,000	--
New Jersey.....	1,237,000	1,033,000	--
New Mexico.....	---	611,000	--
New York.....	4,452,000	4,037,000	--
North Carolina.....	4,606,200	4,717,000	--
North Dakota.....	310,000	578,000	--
Ohio.....	2,893,000	3,810,000	--
Oklahoma.....	1,475,000	1,459,000	--
Oregon.....	500,000	1,153,000	--
Pennsylvania.....	3,013,000	4,821,000	--
Rhode Island.....	3,550,000	578,000	--
South Carolina.....	12,330,600	2,312,000	--
South Dakota.....	65,000	601,000	--
Tennessee.....	1,831,000	3,042,000	--
Texas.....	1,945,000	4,510,000	--
Utah.....	---	578,000	--
Vermont.....	1,712,000	578,000	--
Virginia.....	500,000	2,501,000	--
Washington.....	210,400	1,427,000	--
West Virginia.....	3,985,000	1,914,000	--
Wisconsin.....	3,931,000	2,047,000	--
Wyoming.....	840,800	578,000	--
Puerto Rico.....	3,813,000	4,850,000	--
Trust Territories.....	---	578,000	--
Virgin Islands.....	---	578,000	--
Total, Available or Estimate.....	<u>95,700,000</u>	<u>95,700,000</u>	<u>--</u>

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Rural Development Insurance Fund

Business and Industrial Development Loan Program

	<u>1986 Amount</u>	<u>1987 Amount</u>	<u>1988 Amount</u>
Alabama.....	---	2,748,000	--
Alaska.....	---	556,000	--
Arizona.....	---	744,000	--
Arkansas.....	3,100,000	2,013,000	--
California.....	---	2,960,000	--
Colorado.....	---	689,000	--
Connecticut.....	---	680,000	--
Delaware.....	---	556,000	--
Florida.....	2,000,000	3,115,000	--
Georgia.....	---	3,180,000	--
Hawaii.....	---	556,000	--
Idaho.....	---	643,000	--
Illinois.....	---	3,281,000	--
Indiana.....	---	2,822,000	--
Iowa.....	---	1,471,000	--
Kansas.....	---	882,000	--
Kentucky.....	1,138,000	3,438,000	--
Louisiana.....	400,000	2,573,000	--
Maine.....	---	901,000	--
Maryland.....	---	974,000	--
Massachusetts.....	---	946,000	--
Michigan.....	---	3,732,000	--
Minnesota.....	---	1,848,000	--
Mississippi.....	6,528,000	2,794,000	--
Missouri.....	---	2,197,000	--
Montana.....	---	588,000	--
Nebraska.....	---	652,000	--
Nevada.....	---	556,000	--
New Hampshire.....	---	556,000	--
New Jersey.....	---	1,342,000	--
New Mexico.....	---	727,000	--
New York.....	1,013,000	3,750,000	--
North Carolina.....	3,246,000	4,587,000	--
North Dakota.....	---	556,000	--
Ohio.....	5,536,000	3,722,000	--
Oklahoma.....	---	1,645,000	--
Oregon.....	---	1,269,000	--
Pennsylvania.....	1,250,000	4,614,000	--
Rhode Island.....	---	556,000	--
South Carolina.....	600,000	2,224,000	--
South Dakota.....	1,500,000	556,000	--
Tennessee.....	2,750,000	3,143,000	--
Texas.....	4,636,600	4,099,000	--
Utah.....	---	556,000	--
Vermont.....	---	556,000	--
Virginia.....	---	2,224,000	--
Washington.....	---	1,728,000	--
West Virginia.....	15,205,000	2,169,000	--
Wisconsin.....	---	2,114,000	--
Wyoming.....	---	556,000	--
Puerto Rico.....	5,900,000	3,244,000	--
Trust Territories.....	---	556,000	--
Virgin Islands.....	---	556,000	--
Total, Available or Estimate.....	<u>54,802,600</u>	<u>95,700,000</u>	<u>--</u>

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Rural Development Insurance Fund

Guaranteed Finance Corporation Loans

	<u>1986</u> <u>Amount</u>	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>
Total, Available or Estimate.....	<u>--</u>	<u>19,140,000</u> 1/	<u>--</u>

1 / Cannot be distributed by geographic area in advance.

FARMERS HOME ADMINISTRATION

The 1988 Budget Estimates include proposed changes in the language of this item as follows (deleted matter enclosed in brackets):

Rural Water and Waste Disposal Grants:

[For grants pursuant to sections 306(a)(2) and 306(a)(6) of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1926), \$109,395,000, to remain available until expended, pursuant to section 306(d) of the above Act.]

This change eliminates the appropriation language for this program. No funds are requested for fiscal year 1988.

Rural Water and Waste Disposal Grants

Appropriation Act, 1987.....	\$109,395,000
Budget Estimate, 1988.....	--
Decrease in Appropriation.....	<u><u>-109,395,000</u></u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1986 Actual	1987 Estimated	Decrease	1988 Estimated
Rural water & waste disposal grants:				
Water supply.....	\$ 66,855,541	\$17,215,200	-\$17,215,200	--
Waste disposal.....	42,196,930	10,042,200	-10,042,200	--
Combination - water & waste disposal..	342,529	1,434,600	-1,434,600	--
Technical assistance grants.....	--	1,203,000	-1,203,000	--
Proposed rescission a/:				
Rural water & waste disposal grants:				
Water supply.....	--	47,700,000	-47,700,000	--
Waste disposal....	--	27,825,000	-27,825,000	--
Combination - water & waste disposal.....	--	3,975,000	-3,975,000	--
Technical assistance grants.....	--	--	--	--
Total appropriation...	109,395,000	109,395,000	-109,395,000(1):	--

a/ A request has been submitted to the Congress to rescind \$79,500,000, R87-6.

The preceding tabulation is based on amounts included in appropriation acts. The following tabulation shows estimated obligations on an available funds basis, including balances brought forward from prior years.

PROJECT STATEMENT
(On basis of obligations under available funds)

Project	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
Rural water & waste disposal grants:				
Water supply.....	\$ 72,919,986	\$ 18,169,131	-\$18,169,131	--
Waste disposal.....	46,024,600	10,598,660	-10,598,660	--
Combination - water & waste disposal..	373,600	1,514,094	-1,514,094	--
Technical assistance grants.....	--	1,203,000	-1,203,000	--
Total obligations.....	119,318,186	31,484,885	-31,484,885	--
Recovery of prior year obligations....	-9,185,727	--	--	--
Unobligated balance brought forward.....	-2,327,344	-1,589,885	+1,589,885	--
Unobligated balance carried forward.....	1,589,885	--	--	--
Proposed rescission:				
Rural water & waste disposal grants:				
Water supply.....	--	47,700,000	-47,700,000	--
Waste disposal.....	--	27,825,000	-27,825,000	--
Combination - water & waste disposal.....	--	3,975,000	-3,975,000	--
Technical assistance grants.....	--	--	--	--
Total rescission.....	--	79,500,000a/	-79,500,000	--
Total appropriation	109,395,000	109,395,000	-109,395,000	--

Staff-years are reflected on the Salaries and Expenses Project Statement.

a/ A request has been submitted to the Congress to rescind \$79,500,000, R87-6.

EXPLANATION OF PROGRAM

Rural water and waste disposal grants. Section 306 of the Consolidated Farm and Rural Development Act, as amended, provides appropriation authority for grants for the development costs of water and waste disposal projects in rural areas. Grants made under this authority may not aggregate more than \$154.9 million in any fiscal year.

1. Eligibility of applicants: Development grants may be made to associations, including corporations operating on a nonprofit basis, municipalities, authorities, districts, certain Indian tribes, and similar organizations generally designated as public or quasi-public agencies, that propose projects for development of storage, treatment, purification, or distribution of domestic water or the collection, treatment, or disposal of waste in rural areas. Grants may be made to assist eligible applicants to pay for part of the development cost of such projects if necessary to reduce user charges to a reasonable level. In addition, grants may be made to private nonprofit organizations that have experience in providing technical assistance and training for such purposes as assisting in identifying and evaluating alternative solutions to problems relating to water and waste disposal, preparing applications, and improving operation and maintenance practices at existing plants. Combined loans and grants may be made when the applicant is able to repay part, but not all, of the project costs.

Grants also may be made to supplement other funds borrowed or furnished by applicants to pay development costs. An eligible project must serve a rural area which is not likely to decline in population below that for which the project was designed, and it must be designed and constructed so that adequate capacity will be or can be made available to serve the reasonably foreseeable growth needs of the area.

2. Limits: Water and waste disposal grants may not exceed 75 percent of the development cost of the project. The development cost may include the cost of construction of the proposed facility including rights-of-way, land rights, water rights, engineering fees, and legal fees.

JUSTIFICATION OF DECREASE

- (1) A decrease of \$109,395,000 for rural water and waste disposal grants (\$109,395,000 available in 1987).

Need for change. This program is being terminated as part of the Administration's efforts to reduce the size and scope of Federal programs and their adverse impact on the management of future fiscal policy and deficit targets. The Administration believes that the most efficient way to manage both local housing and community facilities is to rely upon the American private credit market, not federal loans and grants.

Nature of change. No funds are proposed for this program in FY 1988.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Rural Water and Waste Disposal Grant Program

	<u>1986</u> <u>Amount</u>	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>
Alabama.....	3,215,000	3,625,000	--
Alaska.....	199,000	453,000	--
Arizona.....	1,346,400	846,000	--
Arkansas.....	4,937,580	2,639,000	--
California.....	2,922,500	3,797,000	--
Colorado.....	178,000	989,000	--
Connecticut.....	949,700	1,090,000	--
Delaware.....	---	453,000	--
Florida.....	3,524,200	3,017,000	--
Georgia.....	3,584,000	4,564,000	--
Hawaii.....	---	453,000	--
Idaho.....	335,500	846,000	--
Illinois.....	3,053,200	3,616,000	--
Indiana.....	2,743,000	3,414,000	--
Iowa.....	1,753,000	2,057,000	--
Kansas.....	2,340,200	1,389,000	--
Kentucky.....	4,054,000	4,258,000	--
Louisiana.....	5,272,000	3,164,000	--
Maine.....	2,959,200	1,159,000	--
Maryland.....	1,606,300	1,447,000	--
Massachusetts.....	1,377,500	1,612,000	--
Michigan.....	3,798,000	4,963,000	--
Minnesota.....	2,390,700	2,298,000	--
Mississippi.....	4,746,300	3,729,000	--
Missouri.....	2,875,900	3,017,000	--
Montana.....	608,900	713,000	--
Nebraska.....	940,700	1,044,000	--
Nevada.....	228,000	453,000	--
New Hampshire.....	337,200	730,000	--
New Jersey.....	1,620,000	1,396,000	--
New Mexico.....	---	826,000	--
New York.....	4,057,900	5,456,000	--
North Carolina.....	5,177,300	6,375,000	--
North Dakota.....	2,576,300	654,000	--
Ohio.....	4,049,000	5,149,000	--
Oklahoma.....	2,371,400	1, 72,000	--
Oregon.....	723,300	1,559,000	--
Pennsylvania.....	5,008,000	6,510,000	--
Rhode Island.....	252,800	453,000	--
South Carolina.....	2,770,100	3,126,000	--
South Dakota.....	1,637,000	813,000	--
Tennessee.....	3,238,600	4,112,000	--
Texas.....	5,188,006	6,096,000	--
Utah.....	446,700	453,000	--
Vermont.....	756,800	628,000	--
Virginia.....	3,490,000	3,379,000	--
Washington.....	3,537,000	1,928,000	--
West Virginia.....	2,708,600	2,586,000	--
Wisconsin.....	1,871,400	2,766,000	--
Wyoming.....	526,000	453,000	--
Puerto Rico.....	5,036,000	6,554,000	--
Trust Territories.....	---	453,000	--
Virgin Islands.....	---	453,000	--
Total, Available or Estimate.....	<u>119,318,186</u>	<u>125,985,000</u>	<u>--</u>

FARMERS HOME ADMINISTRATION

The 1988 Budget Estimates include language for this item as follows (deleted matter enclosed in brackets):

Rural Housing for Domestic Farm Labor:

[For financial assistance to eligible nonprofit organizations for housing for domestic farm labor, pursuant to section 516 of the Housing Act of 1949, as amended (42 U.S.C. 1486), \$9,513,000.]

This change eliminates the appropriation language for this program. No appropriation is requested in fiscal year 1988.

Rural Housing for Domestic Farm Labor

Appropriation Act, 1987.....	\$9,513,000
Budget Estimate, 1988.....	--
Decrease in Appropriation.....	<u><u>-9,513,000</u></u>

PROJECT STATEMENT

(On basis of adjusted appropriation
and on basis of obligations under available funds)

Project	: 1986 : Actual	: 1987 : Estimated	: Increase or : Decrease	: 1988 : Estimated
Rural housing for domestic	:	:	:	:
farm labor grants.....	\$10,854,720	\$2,416,674	-\$2,416,674	--
Unobligated balance	:	:	:	:
brought forward.....	-249,026	-303,674	+303,674	--
Recovery of prior year	:	:	:	:
obligations.....	-1,396,368	--	--	--
Unobligated balance	:	:	:	:
carried forward.....	303,674	--	--	--
Proposed rescission.....	--	7,400,000a/	-7,400,000	--
Total appropriation.....	9,513,000	9,513,000	-9,513,000(1)	--

Staff-years are reflected in the Salaries and Expenses Project Statement.

a/ A request has been submitted to the Congress to rescind \$7,400,000, R87-8.

EXPLANATION OF PROGRAM

Under section 516 of the Housing Act of 1949, FmHA is authorized to share with state or other political subdivisions, public or private nonprofit organizations, or nonprofit organizations of farmworkers, the cost of providing low-rent housing, basic household furnishings, and related facilities to be used by domestic farm laborers. Such housing may be for year-round or seasonal occupancy, and consist of family unit apartments or dormitory-type units, constructed in an economical manner. Grant assistance may not exceed 90 percent of the total development cost. Applicants furnish as much of the development cost as they can afford by using their own resources, by borrowing either from private sources or obtaining an insured loan under section 514 of the Housing Act. The applicant must agree to charge rents that do not exceed amounts approved by the Secretary, maintain the housing in a safe and sanitary condition, and give occupancy preference to domestic farm laborers.

The obligations incurred by the applicant as a condition of the grant continue for 50 years from the date of the grant unless terminated sooner by the Farmers Home Administration. Grant obligations are secured by a mortgage on the housing or other security. In the event of default, the Farmers Home Administration has the option to require repayment of the grant.

Justification of Decrease

- (1) A decrease of \$9,513,000 for rural housing for domestic farm labor (\$9,513,000 available in FY 1987).

Need for Change. This program is proposed for termination. Families eligible to be assisted under this program may request assistance under the housing voucher program which provides housing assistance more efficiently and offers a greater choice of housing opportunities to the program recipients.

Nature of Change. No appropriation is requested for FY 1988.

Farmers Home Administration
 GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
 1986 and Estimated 1987 and 1988

Rural Housing for Domestic Farm Labor

	<u>1986</u> <u>Amount</u>	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>
California.....	5,076,600	--	--
Florida.....	3,150,000	1,800,000	--
Idaho.....	724,000	--	--
Massachusetts.....	229,800	--	--
Michigan.....	5,000	--	--
New Jersey.....	--	1,080,000	--
Texas.....	753,480	5,927,750	--
Utah.....	66,510	--	--
Washington.....	849,330	504,462	--
Wisconsin.....	<u>--</u>	<u>504,462</u>	<u>--</u>
 Total, Available or Estimate.....	 <u>10,854,720</u>	 <u>9,816,674</u>	 <u>--</u>

FARMERS HOME ADMINISTRATION

The 1988 Budget Estimates include language for this item as follows (deleted matter enclosed in brackets):

Mutual and Self-Help Housing:

[For grants and contracts pursuant to section 523(b)(1)(A) of the Housing Act of 1949 (42 U.S.C. 1490c), \$8,000,000.]

This change eliminates the appropriation language for this program. No appropriation is requested in fiscal year 1988.

Mutual and Self-Help Housing

Appropriation Act, 1987.....	\$8,000,000
Budget Estimate, 1988.....	--
Decrease in Appropriation.....	<u><u>-8,000,000</u></u>

PROJECT STATEMENT

(On basis of adjusted appropriation and on
basis of obligations under available funds)

Project	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
Mutual and self-help housing grants.....	\$5,854,418	\$5,403,815	-\$5,403,815	--
Recovery of prior year obligations.....	-1,084,319	--	--	--
Unobligated balance brought forward.....	-2,563,914	-5,403,815	+5,403,815	--
Unobligated balance carried forward.....	5,403,815	--	--	--
Proposed rescission.....	--	8,000,000a/	-8,000,000	--
Total appropriation.....	7,610,000	8,000,000	-8,000,000(1)	--

Staff-years are reflected in the Salaries and Expenses Project Statement.

a/ A request has been submitted to the Congress to rescind \$8,000,000, R87-9.

EXPLANATION OF PROGRAM

This grant program is authorized under section 523 of the Housing Act of 1949, as amended. Grants are made to local organizations to promote the development of mutual or self-help housing programs under which groups of usually six to ten families build their own homes by mutually exchanging labor. Funds may be used to pay the cost of construction supervisors who will work with families to guide them in the construction of their homes and for administrative expenses of the organizations providing the self-help assistance.

This program also provides for contract funds for training to be provided to members and staff of self-help technical assistance grant recipient organizations which sponsor and supervise self-help projects.

JUSTIFICATION OF DECREASE

- (1) A decrease of \$8,000,000 for mutual and self-help housing (\$8,000,000 available in FY 1987).

Need for Change. This program is proposed for termination. Families eligible to be assisted under this program may request assistance under the housing voucher program which provides housing assistance more efficiently and offers a greater choice of housing opportunities to the program recipients.

Nature of Change. No appropriation is requested for FY 1988.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Mutual and Self-Help Housing Grants

	<u>1986</u> <u>Amount</u>	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>
Alaska.....	--	170,000	--
Arizona.....	190,000	340,000	--
Arkansas.....	--	657,000	--
California.....	399,394	3,891,000	--
Colorado.....	1,478,200	227,000	--
Connecticut.....	--	148,000	--
Delaware.....	375,330	164,000	--
Florida.....	340,930	266,000	--
Hawaii.....	--	264,000	--
Louisiana.....	--	250,000	--
Maine.....	--	327,000	--
Maryland.....	--	402,000	--
Massachuetts.....	74,970	400,000	--
Michigan.....	--	400,000	--
Minnesota.....	314,680	300,000	--
Mississippi.....	--	353,000	--
Missouri.....	742,260	225,000	--
New Hampshire.....	--	100,000	--
New Mexico.....	--	245,000	--
New York.....	--	250,000	--
North Carolina.....	224,000	200,000	--
North Dakota.....	--	275,000	--
Ohio.....	30,000	156,000	--
Oklahoma.....	483,104	420,000	--
Oregon.....	--	300,000	--
South Dakota.....	--	436,815	--
Texas.....	--	275,000	--
Vermont.....	--	250,000	--
Virginia.....	--	300,000	--
Washington.....	605,600	420,000	--
Wisconsin.....	595,950	642,000	--
Wyoming.....	--	350,000	--
Total, Available or Estimate.....	<u>5,854,418</u>	<u>13,403,815</u>	<u>--</u>

FARMERS HOME ADMINISTRATION

The 1988 Budget Estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses

For necessary expenses of the Farmers Home Administration, not otherwise provided for, in administering the programs authorized by the Consolidated Farm and Rural Development Act (7 U.S.C. 1921-[1995] 2000), as amended; title V of the Housing Act of 1949, as amended (42 U.S.C. 1471-[1490h] 1490o); the Rural Rehabilitation Corporation Trust Liquidation Act, approved May 3, 1950 (40 U.S.C. 440-444), for administering the loan program authorized by title III A of the Economic Opportunity Act of 1964 (Public Law 88-452 approved August 20, 1964), as amended, and such other programs for which Farmers Home Administration has the responsibility for administering, [~~\$386,867,000~~] \$411,145,000, together with not more than \$3,000,000 of the charges collected in connection with the insurance of loans as authorized by section [309(e)] 309A of the Consolidated Farm and Rural Development Act, as amended, and Section 517(i) of the Housing Act of 1949, as amended, or in connection with charges made on borrowers under section 502(a) of the Housing Act of 1949, as amended: Provided, That, in addition, not to exceed \$1,000,000 of the funds available for the various programs administered by this

- 1 agency may be transferred to this appropriation for temporary [field] employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), to meet unusual or heavy workload increases: Provided further, That not to exceed \$500,000 of this
- 2 appropriation may be used for employment under 5 U.S.C. 3109[: Provided further, That not to exceed \$2,047,000 of this appropriation shall be available for contracting with the National Rural Water Association or other equally qualified national organization for a circuit rider program
- 3 to provide technical assistance for rural water systems:][Provided further, That, in addition to any other authority that the Secretary may have to defer principal and interest and forego foreclosure, the Secretary may permit, at the request of the borrower, the deferral of principal and interest on any outstanding loan made, insured, or held by the Secretary under this title, or under the provisions of any other law administered by the Farmers Home Administration, and may forego foreclosure of any such loan, for such period as the Secretary deems necessary upon a showing by the borrower that due to circumstances beyond the borrower's control, the borrower is temporarily unable to continue making payments of such principal and interest when due without unduly impairing the standard of living of the borrower. The Secretary may permit interest that accrues during the deferral period on any loan deferred under this section to bear no interest during or after such period: Provided further, That, if the security instrument securing such loan is foreclosed, such interest as is included in the purchase price at such foreclosure shall become part of the principal and draw interest from the date of foreclosure at the rate prescribed by law].

The first change deletes language restricting the use of certain temporary employment to the field. This change would allow the use of such temporary employment in all offices.

The second change deletes language limiting the amount of funding to be used for contracting for a circuit rider program. This change would allow the agency necessary flexibility to bargain with various contractors, ensuring that the goals of the circuit rider program are fully supported.

The third change deletes language pertaining to deferral of principal and interest in certain cases and under certain foreclosure practices. These items have been incorporated into agency regulations.

FARMERS HOME ADMINISTRATION

SALARIES AND EXPENSES

	Appropriation	Transfer from Rural Housing & Agricultural Credit Insurance Funds	Transfer from Agricultural Credit Insurance Funds for Temporary Field Employment	Total
Appropriation Act, 1987.....	\$386,867,000	\$3,000,000	\$1,000,000	\$390,867,000
Budget estimate, 1988.....	411,145,000	3,000,000	1,000,000	415,145,000
Increase in appropriation.....	<u>+24,278,000</u>	<u>--</u>	<u>--</u>	<u>+24,278,000</u>
Adjustments in 1987:				
Appropriation Act, 1987....	386,867,000	3,000,000	1,000,000	390,867,000
1987 Supplemental Appropriation for Pay and Retirement Costs a/.....	+7,678,000	--	--	+7,678,000
Transfer to Departmental Administration.....	-74,000	--	--	-74,000
Adjusted base for 1987.....	394,471,000	3,000,000	1,000,000	398,471,000
Budget Estimate, 1988 b/....	411,145,000	3,000,000	1,000,000	415,145,000
Increase over Adjusted 1987	<u>+16,674,000</u>	<u>--</u>	<u>--</u>	<u>+16,674,000</u>

a/ Includes increases of \$3,000,000 for pay and \$4,678,000 for the Federal Employment Retirement System.

b/ Reflects a transfer of \$74,000 to Departmental Administration for activities previously handled on a reimbursable basis. These activities will be directly appropriated to Departmental Administration in FY 1988.

SUMMARY OF INCREASES AND DECREASES

(on basis of adjusted appropriation)

Item of Change	1987 Estimate	Increase or Decrease		1988 Estimate
		Pay Cost and FERS	Program Changes	
Increased Retirement Costs (FERS).....	--	+\$15,122,000	--	\$15,122,000
Restoration of amount absorbed & Annualization of the Pay Cost effective in 1987.....	--	+5,245,000	--	5,245,000
Increased operating costs related primarily to automation.....	--	--	+\$6,713,000	6,713,000
Increase for inflation.....	--	--	+3,724,000	3,724,000
Restoration of amount absorbed and annualiza- tion of increased health benefits effective in 1987.....	--	--	+1,500,000	1,500,000
Decreased staff years related to the appropriation.....	--	--	-15,630,000	-15,630,000
All other expenses for administration of grant and direct and insured loan programs.....	\$398,471,000	--	--	398,471,000
	<u>\$398,471,000</u>	<u>+20,367,000</u>	<u>-3,693,000</u>	<u>415,145,000</u>

PROJECT STATEMENT
(On the basis of adjusted Appropriation)

Project	1986 Actual		1987 Estimated		Increase or Decrease	1988 Estimated	
	Amount	Staff :Years	Amount	Staff :Years		Amount	Staff :Years
Low-income housing assistance.....	\$148,073,955:	4,290:	\$172,061,000:	4,695:	-\$17,630,000:	\$154,431,000:	3,804
Moderate income housing assistance.....	34,550,590:	1,001:	37,710,000:	1,029:	-3,527,000:	34,183,000:	842
Farm loan programs assistance.....	154,217,816:	4,468:	169,093,000:	4,614:	+43,026,000:	212,119,000:	5,225
Community programs assistance.....	15,911,910:	461:	16,968,000:	463:	-5,195,000:	11,773,000:	290
Loans for associations or groups..	345,161:	10:	403,000:	11:	+84,000:	487,000:	12
Business and Industry assistance.....	2,105,480:	61:	2,236,000:	61:	-84,000:	2,152,000:	53
Total, administration of grant and direct and insured loan programs.....	355,204,912:	10,291:	398,471,000:	10,873:	+16,674,000:	415,145,000:	10,226
Unobligated balance.....	3,582,587:	--:	--:	--:	--:	--:	--
Total available or estimate.....	358,787,499:	10,291:	398,471,000:	10,873:	(1): +16,674,000:	415,145,000:	10,226
Transfer from Rural Housing & Agricultural Credit Insurance Funds.....	--:	:	-3,000,000:	:	:	:	:
Transfer from Agricultural Credit Insurance Fund...	-957,000:	:	-1,000,000:	:	:	:	:
Transfer from Departmental Administration Standard level user charges.....	-900,499:	:	--:	:	:	:	:
Transfer to Departmental Administration for reimbursable activities.....	+74,000:	:	+74,000:	:	:	:	:
Proposed Supplemental for increased pay and retirement costs.....	--:	:	-7,678,000:	:	:	:	:
Total Appropriation:	357,004,000:	:	386,867,000:	:	:	:	:

EXPLANATION OF PROGRAM

Funds appropriated to this account are used to administer the various loan and grant programs of the Farmers Home Administration, with the exception of Emergency, Watershed, Flood, and Resource Conservation and Development loans. Funds are made available from the Agricultural Credit Insurance Fund to provide for the Emergency Disaster Program. An annual allotment is received from the Soil Conservation Service to fund the costs of administering Watershed, Flood, and Resource Conservation and Development loans. Administration of the programs includes the reviewing of applications, making and collecting loans, and extending technical assistance to borrowers.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A net increase of \$16,674,000 for the administration of loan and grant programs consisting of:

- (a) An increase of \$15,122,000 for implementing the new Federal Employees Retirement System (FERS) and an increase of \$5,245,000 for restoration of absorption and annualization of pay costs.

The \$15,122,000 is needed for a new retirement system for Federal employees authorized under Public Law 98-21 and Public Law 99-335 which provided that Federal employees hired after December 31, 1983, would be entitled to a new retirement plan to be funded in part by Federal Agency contributions in addition to employee contributions. Further, this estimate includes retirement costs related to employees who may transfer from the Civil Service Plan.

The \$5,245,000 is necessary for FmHA to adequately finance employees currently on the rolls. The increase is based upon an annualization of pay cost increase effective in FY 1987.

- (b) A decrease of \$3,693,000 for the administration of loan and grant programs consisting of:

1. An increase of \$3,724,000 for inflation.

Need for Change. Rent, communications, utilities and equipment costs continue to escalate. The Agency cannot absorb these costs. This increase is based on nationwide inflation factors established by OMB.

Nature of Change. An increase of \$3,724,000 for items other than personnel. This level will provide funds for the basic needs of the Agency.

2. An increase of \$6,713,000 for operating costs related primarily to automation.

Need for Change. The automation of our field offices will require additional administrative cost resources to provide support for Multifunction Workstations which will be fully implemented by FY 1988. These costs will be offset many times over by increased productivity and resultant savings to the revolving funds due to enhanced servicing of our borrowers.

Nature of Change. A major increase of \$2,179,000 anticipated for FY 1988 would cover in part the costs for our telecommunications system (DEPNET) which provides long distance link-up between our field offices and Kansas City Computer Center. Other increases include \$630,000 for maintenance of the Multifunction Workstations and \$1,236,000 to help defray increased contracts and training for ongoing activities. Miscellaneous increases of \$2,668,000 are for shipment of household goods related to the Relocation Services Program and additional costs for travel, rent, printing, and supplies.

3. An increase of \$1,500,000 for restoration of absorption and annualization of increased health benefit premiums.

These funds are necessary for the Agency to finance increased health costs for employees' health benefit programs effective in FY 1987.

4. A decrease of \$15,630,000 associated with a reduction in employment of 647 staff years.

Need for Change. The termination of new loan authority in FmHA programs decreases workload for making loans which results in a savings of staff years and administrative funds. Loans made are estimated to decrease from 116,782 in FY 1987 and 63,005 in FY 1988.

Nature of Change. A decrease of \$15,630,000 related to the reduction of 647 staff years.

FARMERS HOME ADMINISTRATION

Positions Filled, Staff-Years and Average
Grade and Salary by Organizational Unit

Organizational Unit	Positions Filled At End of Year		Staff- Years	Permanent Full-time	
	Permanent Full-time	Other		Average Grade	Average Salary
<u>FISCAL YEAR 1986:</u>					
National Office	498	39	544	10.36	\$30,670
Finance Office and Field Support	823	60	933	7.08	20,960
State Offices	1,529	98	1,690	9.38	27,770
District Offices	1,199	85	1,283	9.45	27,970
County Offices	<u>6,940</u>	<u>3,978</u>	<u>8,129</u>	<u>7.10</u>	<u>21,020</u>
Total, FmHA	10,989	4,260 <u>1/</u>	12,579	7.82	23,150
<u>FISCAL YEAR 1987: (estimate)</u>					
National Office	547	40	576	10.09	30,770
Finance Office and Field Support	860	60	960	7.15	21,800
State Offices	1,600	100	1,700	9.35	28,510
District Offices	1,220	90	1,290	9.45	28,820
County Offices	<u>7,351</u>	<u>3,760</u>	<u>8,687</u>	<u>7.10</u>	<u>21,650</u>
Total, FmHA	11,578	4,050 <u>1/</u>	13,213	7.81	23,815
<u>FISCAL YEAR 1988: (estimate)</u>					
National Office	521	40	550	10.20	31,100
Finance Office and Field Support	815	60	915	7.18	21,890
State Offices	1,470	100	1,570	9.37	28,570
District Offices	1,120	90	1,190	9.47	28,880
County Offices	<u>6,902</u>	<u>3,560</u>	<u>8,013</u>	<u>7.10</u>	<u>21,650</u>
Total, FmHA	10,828	3,850 <u>1/</u>	12,238	7.82	23,845

1/ Includes non-ceiling employees such as Stay-In-School:
FY 1986, 303; FY 1987, 300; and FY 1988, 300.

FARMERS HOME ADMINISTRATION
Salaries and Expenses
Obligations by Organizational Unit 1/
(in thousands rounded)

Organizational Unit	Obligations			
	Personnel Comp. and Benefits	Travel	All other	Total
<u>FISCAL YEAR 1986:</u>				
National Office	\$ 21,232	\$ 1,096	\$ 4,836	\$ 27,164
Finance Office and Field Support	22,417	242	5,853	28,512
State Offices	50,595	5,955	10,601	67,151
District Offices	40,267	3,203	8,047	51,517
County Offices	<u>191,401</u>	<u>7,266</u>	<u>50,990</u>	<u>249,657</u>
Total, FmHA	325,912	17,762	80,327	424,001
Less Allocations from other accounts	<u>-53,134</u>	<u>-3,953</u>	<u>-11,356</u>	<u>-68,443</u>
Total, S&E, FmHA	<u>272,778</u>	<u>13,809</u>	<u>68,971</u>	<u>355,558</u>
<u>FISCAL YEAR 1987: (estimate)</u>				
National Office	23,100	1,300	5,300	29,700
Finance Office and Field Support	23,800	250	6,300	30,350
State Offices	52,700	6,200	11,300	70,200
District Offices	41,900	3,400	8,600	53,900
County Offices	<u>212,091</u>	<u>11,055</u>	<u>68,134</u>	<u>291,280</u>
Total, FmHA	353,591	22,205	99,634	475,430
Less Allocations from other accounts	<u>-55,651</u>	<u>-4,026</u>	<u>-16,573</u>	<u>-76,250</u>
Total, S&E, FmHA	<u>297,940</u>	<u>18,179</u>	<u>83,061</u>	<u>399,180</u>
<u>FISCAL YEAR 1988: (estimate)</u>				
National Office	22,400	1,300	5,100	28,800
Finance Office and Field Support	23,000	250	6,200	29,450
State Offices	52,600	6,200	11,600	70,400
District Offices	41,800	3,400	8,800	54,000
County Offices	<u>214,170</u>	<u>11,126</u>	<u>70,795</u>	<u>296,091</u>
Total, FmHA	353,970	22,276	102,495	478,741
Less Allocations from other accounts	<u>-49,933</u>	<u>-2,539</u>	<u>-10,489</u>	<u>-62,961</u>
Total, S&E, FmHA	<u>304,037</u>	<u>19,737</u>	<u>92,006</u>	<u>415,780</u>

1/ Includes reimbursable obligations.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Salaries and Expenses

	<u>1986</u> <u>Amount</u>	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>
Alabama.....	10,388,422	11,784,000	11,854,000
Alaska.....	1,323,393	1,501,000	1,510,000
Arizona.....	4,226,517	4,794,000	4,883,000
Arkansas.....	12,259,571	13,906,000	13,989,000
California.....	8,132,875	9,225,000	9,280,000
Colorado.....	4,531,689	5,140,000	5,171,000
Connecticut.....	1,253,123	1,421,000	1,430,000
Delaware.....	1,827,411	2,073,000	2,085,000
Florida.....	7,052,733	8,000,000	8,048,000
Georgia.....	10,652,183	12,083,000	12,155,000
Hawaii.....	2,031,602	2,304,000	2,318,000
Idaho.....	6,284,873	7,129,000	7,172,000
Illinois.....	10,653,056	12,084,000	12,156,000
Indiana.....	8,304,578	9,420,000	9,476,000
Iowa.....	12,013,311	13,627,000	13,708,000
Kansas.....	7,269,793	8,246,000	8,296,000
Kentucky.....	11,228,130	12,736,000	12,812,000
Louisiana.....	9,180,970	10,414,000	10,476,000
Maine.....	6,415,178	7,277,000	7,320,000
Maryland.....	2,366,603	2,684,000	2,701,000
Massachusetts.....	2,588,089	2,936,000	2,953,000
Michigan.....	8,615,107	9,772,000	9,831,000
Minnesota.....	10,118,476	11,477,000	11,546,000
Mississippi.....	16,813,324	19,071,000	19,186,000
Missouri.....	12,295,743	13,947,000	14,031,000
Montana.....	4,609,330	5,228,000	5,260,000
Nebraska.....	7,146,411	8,106,000	8,155,000
Nevada.....	796,441	903,000	909,000
New Hampshire.....	1,529,337	1,735,000	1,745,000
New Jersey.....	3,845,411	4,362,000	4,388,000
New Mexico.....	4,498,119	5,102,000	5,133,000
New York.....	9,020,896	10,232,000	10,294,000
North Carolina....	16,071,053	18,229,000	18,339,000
North Dakota.....	7,594,974	8,615,000	8,667,000
Ohio.....	8,359,390	9,482,000	9,539,000
Oklahoma.....	10,512,446	11,924,000	11,996,000
Oregon.....	5,026,969	5,702,000	5,736,000
Pennsylvania.....	7,616,330	8,639,000	8,691,000
Rhode Island.....	579,552	657,000	661,000
South Carolina....	8,041,725	9,122,000	9,176,000
South Dakota.....	7,154,616	8,115,000	8,164,000
Tennessee.....	11,838,810	13,429,000	13,509,000
Texas.....	19,016,049	21,562,000	21,635,000
Utah.....	3,567,730	4,047,000	4,071,000
Vermont.....	3,243,236	3,679,000	3,701,000
Virginia.....	9,539,042	10,820,000	10,885,000
Washington.....	5,247,324	5,952,000	5,988,000
West Virginia.....	5,573,696	6,322,000	6,360,000
Wisconsin.....	9,375,157	10,634,000	10,698,000
Wyoming.....	3,212,309	3,644,000	3,666,000
Puerto Rico.....	6,378,351	7,235,000	7,278,000
Trust Territories..	729,968	828,000	833,000
Virgin Islands....	373,850	424,000	427,000
Subtotal.....	<u>368,325,272</u>	<u>417,780,000</u>	<u>420,291,000</u>
National Office...	<u>27,163,985</u>	<u>28,200,000</u>	<u>28,600,000</u>
Finance Office....	<u>28,511,817</u>	<u>29,450,000</u>	<u>29,850,000</u>
Total, Available or Estimate.....	<u>424,001,074</u>	<u>475,430,000</u>	<u>478,741,000</u>



FARMERS HOME ADMINISTRATION

The 1988 Budget Estimates include proposed changes in the language of this item as follows (deleted matter enclosed in brackets):

Rural Community Fire Protection Grants:

[For grants pursuant to section 7 of the Cooperative Forestry Assistance Act of 1978 (Public Law 95-313), \$3,091,000 to fund up to 50 per centum of the cost of organizing, training, and equipping rural volunteer fire departments.]

This change eliminates the appropriation language for this program. No funds are requested for fiscal year 1988.

Rural Community Fire Protection Grants

Appropriation Act, 1987.....	\$3,091,000
Budget Estimate, 1988.....	--
Decrease in Appropriation.....	<u><u>-3,091,000</u></u>

PROJECT STATEMENT

(On basis of adjusted appropriation)

Project	1986 Actual	1987 Estimated	Decrease	1988 Estimated
Rural community fire protection grants....	\$3,019,259	\$791,000	-\$791,000	--
Unobligated balance lapsing.....	71,741	--	--	--
Proposed rescission....	--	2,300,000a/	-2,300,000	--
Total appropriation....	3,091,000	3,091,000	-3,091,000(1)	--

Staff-years are reflected on the Salaries and Expenses Project Statement.

a/ A request has been submitted to the Congress to rescind \$2,300,000, R87-7.

EXPLANATION OF PROGRAM

This assistance was authorized by section 7 of the Cooperative Forestry Assistance Act of 1978. Grants are made to public bodies to organize, train, and equip local fire-fighting forces, including those of Indian tribes or other native groups, to prevent, control, and suppress fires threatening human lives, crops, livestock, farmsteads or other improvements, pastures, orchards, wildlife, rangeland, woodland, and other resources in rural areas.

JUSTIFICATION OF DECREASE

- (1) A decrease of \$3,091,000 for the rural community fire protection grants (\$3,091,000 available in 1987).

Need for Change. This program is being terminated as part of the Administration's efforts to reduce the size and scope of Federal programs and their adverse impact on the management of future fiscal policy and deficit targets. The Administration believes that the most efficient way to manage both local housing and community facilities is to rely upon the American private credit market, not federal loans and grants.

Nature of Change. No funds are proposed for this program in FY 1988.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Rural Community Fire Protection Grants

	<u>1986</u> <u>Amount</u>	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>
Alabama.....	50,400	51,600	--
Alaska.....	67,000	68,600	--
Arizona.....	46,500	47,600	--
Arkansas.....	51,400	52,600	--
California.....	55,000	56,300	--
Colorado.....	58,700	60,100	--
Connecticut.....	19,900	20,400	--
Delaware.....	14,200	14,500	--
Florida.....	66,600	68,200	--
Georgia.....	59,900	61,300	--
Hawaii.....	20,000	20,500	--
Idaho.....	36,600	37,500	--
Illinois.....	113,900	116,600	--
Indiana.....	77,800	79,700	--
Iowa.....	102,500	104,900	--
Kansas.....	105,000	107,500	--
Kentucky.....	55,200	56,500	--
Louisiana.....	68,500	70,100	--
Maine.....	71,800	73,500	--
Maryland.....	31,300	32,000	--
Massachusetts.....	22,700	23,200	--
Michigan.....	82,600	84,600	--
Minnesota.....	116,800	119,600	--
Mississippi.....	50,400	51,600	--
Missouri.....	85,400	87,400	--
Montana.....	55,600	56,900	--
Nebraska.....	80,400	82,300	--
Nevada.....	28,000	28,700	--
New Hampshire.....	15,100	15,500	--
New Jersey.....	32,200	33,000	--
New Mexico.....	34,500	35,300	--
New York.....	83,600	85,600	--
North Carolina.....	73,300	75,000	--
North Dakota.....	104,800	107,000	--
Ohio.....	90,300	92,500	--
Oklahoma.....	61,800	63,300	--
Oregon.....	55,000	56,300	--
Pennsylvania.....	91,200	93,400	--
Rhode Island.....	13,300	13,600	--
South Carolina.....	46,600	47,700	--
South Dakota.....	74,100	75,900	--
Tennessee.....	57,100	58,500	--
Texas.....	167,000	171,200	--
Utah.....	34,000	34,800	--
Vermont.....	18,100	18,500	--
Virginia.....	49,500	50,700	--
Washington.....	58,000	59,400	--
West Virginia.....	30,400	31,100	--
Wisconsin.....	77,900	79,800	--
Wyoming.....	23,800	24,400	--
Puerto Rico.....	3,000	3,100	--
Trust Territories.....	15,000	15,400	--
Virgin Islands.....	15,300	15,700	--
Total, Available or Estimate.....	<u>3,019,000</u>	<u>3,091,000</u>	<u>--</u>

FARMERS HOME ADMINISTRATION

The 1988 Budget Estimates include language for this item as follows (deleted matter enclosed in brackets):

Very Low-Income Housing Repair Grants:

[For grants to the very low-income elderly for essential repairs to dwellings pursuant to section 504 of the Housing Act of 1949, as amended, \$12,500,000.]

This change eliminates the appropriation language for this program. No appropriation is requested for fiscal year 1988.

Very Low-Income Housing Repair Grants

Appropriation Act, 1987.....	\$12,500,000
Budget Estimate, 1988.....	--
Decrease in Appropriation.....	<u><u>-12,500,000</u></u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1986 Actual	1987 Estimated	Decrease	1988 Estimated
Very low-income housing repair grants.....	\$13,890,828	\$3,100,000	-\$3,100,000	--
Unobligated balance lapsing.....	172	--	--	--
Proposed rescission.....	--	9,400,000a/	-9,400,000	--
Total appropriation.....	13,891,000	12,500,000	-12,500,000(1)	--

Staff years are reflected in the Salaries and Expenses Project Statement.

a/ A request has been submitted to the Congress to rescind \$9,400,000, R87-10.

EXPLANATION OF PROGRAM

This grant program is authorized under section 504 of the Housing Act of 1949, as amended. The rural housing repair grant program is carried out by making grants to very low-income elderly owner-occupants to make necessary repairs to improve and modernize their dwellings in order to remove safety and health hazards.

The grants may be made to cover the cost of improvements or additions, such as repairing roofs, providing toilet facilities, providing a convenient and sanitary water supply, installing screens, repairing or providing structural supports, or making similar repairs, additions, or improvements including all preliminary and installation costs in obtaining central water and sewer service. A grant can be made in combination with a section 504 very low-income housing repair loan. The Agency has determined that a grant cannot exceed \$5,000; and a grant and loan combined cannot exceed \$7,500.

JUSTIFICATION OF DECREASE

- (1) A decrease of \$12,500,000 for the very low-income housing repair grants (\$12,500,000 available in 1987).

Need for Change. This program is proposed for termination. Families eligible to be assisted under this program may request assistance under the housing voucher program which provides housing assistance more efficiently and offers a greater choice of housing opportunities to the program recipients.

Nature of Change. No appropriation is requested for FY 1988.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Very Low Income Housing Repair Grant Program

	<u>1986</u> <u>Amount</u>	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>
Alabama.....	594,520	369,000	--
Alaska.....	---	48,000	--
Arizona.....	32,150	143,000	--
Arkansas.....	228,470	289,000	--
California.....	266,740	467,000	--
Colorado.....	62,750	100,000	--
Connecticut.....	28,680	78,000	--
Delaware.....	26,680	30,000	--
Florida.....	250,280	361,000	--
Georgia.....	577,770	455,000	--
Hawaii.....	49,000	45,000	--
Idaho.....	22,910	81,000	--
Illinois.....	257,130	386,000	--
Indiana.....	170,300	323,000	--
Iowa.....	88,900	239,000	--
Kansas.....	100,600	183,000	--
Kentucky.....	635,160	428,000	--
Louisiana.....	266,480	320,000	--
Maine.....	405,610	128,000	--
Maryland.....	259,390	134,000	--
Massachusetts.....	97,370	148,000	--
Michigan.....	531,990	406,000	--
Minnesota.....	118,050	273,000	--
Mississippi.....	714,184	328,000	--
Missouri.....	322,180	343,000	--
Montana.....	12,260	70,000	--
Nebraska.....	57,610	116,000	--
Nevada.....	7,210	24,000	--
New Hampshire.....	79,710	72,000	--
New Jersey.....	165,190	113,000	--
New Mexico.....	269,610	113,000	--
New York.....	481,040	409,000	--
North Carolina.....	784,260	594,000	--
North Dakota.....	19,270	64,000	--
Ohio.....	475,415	484,000	--
Oklahoma.....	284,749	242,000	--
Oregon.....	189,520	176,000	--
Pennsylvania.....	619,730	597,000	--
Rhode Island.....	8,950	17,000	--
South Carolina.....	537,520	306,000	--
South Dakota.....	13,060	82,000	--
Tennessee.....	333,735	395,000	--
Texas.....	1,075,545	741,000	--
Utah.....	19,130	46,000	--
Vermont.....	61,140	57,000	--
Virginia.....	496,880	386,000	--
Washington.....	153,350	197,000	--
West Virginia.....	216,520	252,000	--
Wisconsin.....	334,270	302,000	--
Wyoming.....	7,060	40,000	--
Puerto Rico.....	329,160	391,000	--
Trust Territories.....	737,760	93,000	--
Virgin Islands.....	13,880	16,000	--
Total, Available or Estimate.....	<u>13,890,828</u>	<u>12,500,000</u>	<u>--</u>

FARMERS HOME ADMINISTRATION

The 1988 Budget Estimates include language for this item as follows (deleted matter enclosed in brackets):

Rural Housing Preservation Grants:

[For grants for rural housing preservation as authorized by section 552 of the Housing and Urban-Rural Recovery Act of 1983 (Public Law 99-181), \$19,140,000.]

This change eliminates the appropriation language for this program. No appropriation is requested in fiscal year 1988.

Rural Housing Preservation Grants

Appropriation Act, 1987.....	\$19,140,000
Budget Estimate, 1988.....	--
Decrease in Appropriation.....	<u><u>-19,140,000</u></u>

PROJECT STATEMENT
(On basis of appropriation)

Project	: 1986 : Actual	: 1987 : Estimated	: Decrease	: 1988 : Estimated
Rural housing	:	:	:	:
preservation grants.....	\$19,140,000	\$ 4,740,000	-\$ 4,740,000	--
Proposed rescission.....	--	14,400,000a/	-14,400,000	--
Total appropriation.....	19,140,000	19,140,000	-19,140,000(1)	--

Staff-years are reflected in the Salaries and Expenses Project Statement.

The Continuing Resolution for 1986, Public Law 99-190, made the 1985 unobligated balance lapsing, \$19,140,000, available as a reappropriation in 1986.

a/ A request has been submitted to the Congress to rescind \$14,400,000, R87-12.

EXPLANATION OF PROGRAM

This program is authorized under section 533 of the Housing Act of 1949, as amended. Grants are made to eligible private nonprofit groups, Indian tribes, and government agencies for the rehabilitation of single family housing owned by low-income and very low-income families and the rehabilitation of rental and cooperative housing for low and very low-income families.

JUSTIFICATION OF DECREASE

- (1) A decrease of \$19,140,000 for rural housing preservation grants (\$19,140,000 available in FY 1987).

Need for Change. This program is proposed for termination. Families eligible to be assisted under this program may request assistance under the housing voucher program which provides housing assistance more efficiently and offers a greater choice of housing opportunities to the program recipients.

Nature of Change. No funding is requested for FY 1988.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Rural Housing Preservation Grant Program

	<u>1986</u> <u>Amount</u>	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>
Alabama.....	498,000	553,000	--
Alaska.....	---	170,000	--
Arizona.....	320,000	277,000	--
Arkansas.....	423,500	441,000	--
California.....	530,000	589,000	--
Colorado.....	200,000	220,000	--
Connecticut.....	161,000	179,000	--
Delaware.....	200,000	142,000	--
Florida.....	538,500	463,000	--
Georgia.....	544,800	661,000	--
Hawaii.....	367,500	161,000	--
Idaho.....	184,000	204,000	--
Illinois.....	450,000	458,000	--
Indiana.....	387,000	429,000	--
Iowa.....	345,000	323,000	--
Kansas.....	150,000	270,000	--
Kentucky.....	578,000	642,000	--
Louisiana.....	451,000	509,000	--
Maine.....	255,000	248,000	--
Maryland.....	274,300	249,000	--
Massachusetts.....	213,000	237,000	--
Michigan.....	450,000	518,000	--
Minnesota.....	468,000	373,000	--
Mississippi.....	478,000	531,000	--
Missouri.....	439,500	454,000	--
Montana.....	160,000	187,000	--
Nebraska.....	370,000	216,000	--
Nevada.....	149,700	134,000	--
New Hampshire.....	161,000	179,000	--
New Jersey.....	187,000	208,000	--
New Mexico.....	347,000	258,000	--
New York.....	445,000	502,000	--
North Carolina.....	715,900	796,000	--
North Dakota.....	300,000	178,000	--
Ohio.....	540,000	600,000	--
Oklahoma.....	400,000	361,000	--
Oregon.....	254,000	282,000	--
Pennsylvania.....	720,000	654,000	--
Rhode Island.....	---	127,000	--
South Carolina.....	433,500	486,000	--
South Dakota.....	331,000	201,000	--
Tennessee.....	516,000	573,000	--
Texas.....	815,000	906,000	--
Utah.....	149,000	166,000	--
Vermont.....	328,000	170,000	--
Virginia.....	516,500	537,000	--
Washington.....	427,000	308,000	--
West Virginia.....	424,800	395,000	--
Wisconsin.....	353,500	385,000	--
Wyoming.....	400,000	152,000	--
Puerto Rico.....	790,000	878,000	--
Total, Available or Estimate.....	<u>19,140,000</u>	<u>19,140,000</u>	<u>--</u>

FARMERS HOME ADMINISTRATION

The 1988 Budget Estimates include language for this item as follows (new language underscored):

Rural [Rental Assistance Payments] Housing Voucher Program:

For necessary expenses to operate a housing voucher program under section 8(o) of the United States Housing Act of 1937, as amended (42 U.S.C. 1437(f), to be administered by the Secretary of Agriculture, notwithstanding the limitations in section 8(o)(1) of such Act that the Secretary conduct a demonstration, and in section 8(o)(4) of such Act that the Secretary use substantially all authority in connection with certain programs, in connection with the rental rehabilitation program under Section 17 of such Act and for any other purposes as determined by the Secretary, \$378,130,000.

This change proposes new appropriation language for funding a rural housing voucher program.

Rural Housing Voucher Program

Appropriation Act, 1987.....	\$	--
Budget Estimate, 1988.....		378,130,000
Increase in Appropriation.....		<u>378,130,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	: 1986 : Actual	: 1987 : Estimated:	Increase	: 1988 : Estimated
Rural housing vouchers.....	--	--	\$378,130,000	\$378,130,000
Rental assistance payments...	--	--	--	:
Total appropriation.....	--	--	\$378,130,000(1)	\$378,130,000

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This program is authorized under section 8(o) of the United States Housing Act of 1937, as amended. FmHA will implement a new rural housing voucher program based on the same payment standards and regulations set by the Department of Housing and Urban Development (HUD) for its section 8 voucher program. This voucher program will provide housing assistance payments to individuals and families based on the difference between what the family can afford for housing according to their income and the cost of rental housing in the community. As operated by HUD, the assistance is provided through a public housing agency (PHA) which determines the amount of the voucher by comparing the families' incomes to local rents. Assistance will be provided monthly, with annual renewals for up to five years.

This appropriation account will also continue to disburse the unliquidated obligated balances for new construction rental assistance units obligated in FY 1984 and FY 1985.

JUSTIFICATION OF INCREASE

- (1) An increase of \$378,130,000 for a rural housing voucher program (zero available in FY 1987).

Need for Change. FmHA's traditional forms of insured housing loan assistance with interest subsidies are not the most effective way to provide suitable housing to very low-income rural residents.

Nature of change. A rural housing voucher program similar to HUD's will be implemented in rural areas, making 21,200 housing units available to rural residents most in need.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Rural Housing Voucher Program

	<u>1986</u> <u>Amount</u>	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>
Alabama.....	--	--	12,398,000
Alaska.....	--	--	1,645,000
Arizona.....	--	--	4,642,000
Arkansas.....	--	--	9,275,000
California.....	--	--	13,405,000
Colorado.....	--	--	3,065,000
Connecticut.....	--	--	1,897,000
Delaware.....	--	--	871,000
Florida.....	--	--	9,894,000
Georgia.....	--	--	15,428,000
Hawaii.....	--	--	1,409,000
Idaho.....	--	--	2,629,000
Illinois.....	--	--	9,741,000
Indiana.....	--	--	8,931,000
Iowa.....	--	--	5,944,000
Kansas.....	--	--	4,444,000
Kentucky.....	--	--	14,904,000
Louisiana.....	--	--	11,169,000
Maine.....	--	--	3,828,000
Maryland.....	--	--	3,852,000
Massachusetts.....	--	--	3,525,000
Michigan.....	--	--	11,415,000
Minnesota.....	--	--	7,344,000
Mississippi.....	--	--	11,782,000
Missouri.....	--	--	9,645,000
Montana.....	--	--	2,105,000
Nebraska.....	--	--	2,935,000
Nevada.....	--	--	670,000
New Hampshire.....	--	--	1,904,000
New Jersey.....	--	--	2,713,000
New Mexico.....	--	--	4,124,000
New York.....	--	--	10,963,000
North Carolina.....	--	--	19,220,000
North Dakota.....	--	--	1,860,000
Ohio.....	--	--	13,715,000
Oklahoma.....	--	--	7,030,000
Oregon.....	--	--	4,798,000
Pennsylvania.....	--	--	15,241,000
Rhode Island.....	--	--	442,000
South Carolina.....	--	--	10,521,000
South Dakota.....	--	--	2,539,000
Tennessee.....	--	--	12,966,000
Texas.....	--	--	22,297,000
Utah.....	--	--	1,535,000
Vermont.....	--	--	1,652,000
Virginia.....	--	--	11,934,000
Washington.....	--	--	5,536,000
West Virginia.....	--	--	7,989,000
Wisconsin.....	--	--	7,689,000
Wyoming.....	--	--	1,155,000
Puerto Rico.....	--	--	21,515,000
Total, Available or Estimate.....	<u>--</u>	<u>--</u>	<u>378,130,000</u>

10-100
BUREAU OF LAND MANAGEMENT
DEPARTMENT OF THE INTERIOR
WASHINGTON, D. C. 20250
1976 and Extended 1977

State of Nevada

Section	Range	County	Acres	Owner	Remarks
1	10	Clark	100	State of Nevada	
2	10	Clark	100	State of Nevada	
3	10	Clark	100	State of Nevada	
4	10	Clark	100	State of Nevada	
5	10	Clark	100	State of Nevada	
6	10	Clark	100	State of Nevada	
7	10	Clark	100	State of Nevada	
8	10	Clark	100	State of Nevada	
9	10	Clark	100	State of Nevada	
10	10	Clark	100	State of Nevada	
11	10	Clark	100	State of Nevada	
12	10	Clark	100	State of Nevada	
13	10	Clark	100	State of Nevada	
14	10	Clark	100	State of Nevada	
15	10	Clark	100	State of Nevada	
16	10	Clark	100	State of Nevada	
17	10	Clark	100	State of Nevada	
18	10	Clark	100	State of Nevada	
19	10	Clark	100	State of Nevada	
20	10	Clark	100	State of Nevada	
21	10	Clark	100	State of Nevada	
22	10	Clark	100	State of Nevada	
23	10	Clark	100	State of Nevada	
24	10	Clark	100	State of Nevada	
25	10	Clark	100	State of Nevada	
26	10	Clark	100	State of Nevada	
27	10	Clark	100	State of Nevada	
28	10	Clark	100	State of Nevada	
29	10	Clark	100	State of Nevada	
30	10	Clark	100	State of Nevada	
31	10	Clark	100	State of Nevada	
32	10	Clark	100	State of Nevada	
33	10	Clark	100	State of Nevada	
34	10	Clark	100	State of Nevada	
35	10	Clark	100	State of Nevada	
36	10	Clark	100	State of Nevada	
37	10	Clark	100	State of Nevada	
38	10	Clark	100	State of Nevada	
39	10	Clark	100	State of Nevada	
40	10	Clark	100	State of Nevada	
41	10	Clark	100	State of Nevada	
42	10	Clark	100	State of Nevada	
43	10	Clark	100	State of Nevada	
44	10	Clark	100	State of Nevada	
45	10	Clark	100	State of Nevada	
46	10	Clark	100	State of Nevada	
47	10	Clark	100	State of Nevada	
48	10	Clark	100	State of Nevada	
49	10	Clark	100	State of Nevada	
50	10	Clark	100	State of Nevada	
51	10	Clark	100	State of Nevada	
52	10	Clark	100	State of Nevada	
53	10	Clark	100	State of Nevada	
54	10	Clark	100	State of Nevada	
55	10	Clark	100	State of Nevada	
56	10	Clark	100	State of Nevada	
57	10	Clark	100	State of Nevada	
58	10	Clark	100	State of Nevada	
59	10	Clark	100	State of Nevada	
60	10	Clark	100	State of Nevada	
61	10	Clark	100	State of Nevada	
62	10	Clark	100	State of Nevada	
63	10	Clark	100	State of Nevada	
64	10	Clark	100	State of Nevada	
65	10	Clark	100	State of Nevada	
66	10	Clark	100	State of Nevada	
67	10	Clark	100	State of Nevada	
68	10	Clark	100	State of Nevada	
69	10	Clark	100	State of Nevada	
70	10	Clark	100	State of Nevada	
71	10	Clark	100	State of Nevada	
72	10	Clark	100	State of Nevada	
73	10	Clark	100	State of Nevada	
74	10	Clark	100	State of Nevada	
75	10	Clark	100	State of Nevada	
76	10	Clark	100	State of Nevada	
77	10	Clark	100	State of Nevada	
78	10	Clark	100	State of Nevada	
79	10	Clark	100	State of Nevada	
80	10	Clark	100	State of Nevada	
81	10	Clark	100	State of Nevada	
82	10	Clark	100	State of Nevada	
83	10	Clark	100	State of Nevada	
84	10	Clark	100	State of Nevada	
85	10	Clark	100	State of Nevada	
86	10	Clark	100	State of Nevada	
87	10	Clark	100	State of Nevada	
88	10	Clark	100	State of Nevada	
89	10	Clark	100	State of Nevada	
90	10	Clark	100	State of Nevada	
91	10	Clark	100	State of Nevada	
92	10	Clark	100	State of Nevada	
93	10	Clark	100	State of Nevada	
94	10	Clark	100	State of Nevada	
95	10	Clark	100	State of Nevada	
96	10	Clark	100	State of Nevada	
97	10	Clark	100	State of Nevada	
98	10	Clark	100	State of Nevada	
99	10	Clark	100	State of Nevada	
100	10	Clark	100	State of Nevada	

FARMERS HOME ADMINISTRATION

The 1988 Budget Estimates include proposed changes in the language of this item as follows (deleted matter enclosed in brackets):

Rural Development Loan Fund:

[SEC. 641.(c) Section 1323(b)(1) of such Act is amended by striking out "September 30, 1986," and inserting in lieu thereof "September 30, 1987," and inserting the words "made or to be" after the word "guarantees". Provided further, That such grant funds may be used by such corporation to provide technical assistance and financial assistance, including capitalizing revolving loan programs, pursuant to the Act.]

This change eliminates the appropriation language for this program. No program is requested for fiscal year 1988.

Rural Development Loan Fund

PROJECT STATEMENT
(On basis of obligations under available funds)

Project	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
Rural development loans.....	\$5,396	\$4,000,000	-\$4,000,000(1):	--
Rural development finance corporation grants.....	--	14,263,668	-14,263,668(2):	
Total obligations.....	5,396	18,263,668	-18,263,668	--
Offsetting collections..	-2,794,803	-3,329,707	-146,744	-\$3,476,451
Unobligated balance brought forward.....	--	-17,053,075	+14,933,961	-2,119,114
Unobligated balance transferred from HHS..	-14,263,668	--	--	--
Unobligated balance carried forward.....	17,053,075	2,119,114	+3,476,451	5,595,565
Total appropriation	--	--	--	--

Staff-years are reflected on the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

The Food Security Act of 1985, Public Law 99-198, provided that all funds available to the Rural Development Loan Fund on the date of enactment be made available for grants until expended. On date of enactment, December 23, 1985, \$14,263,668 was unobligated and available to make grants. The 1987 Continuing Resolution, Public Law 99-591, extended FmHA's authority to make these grants through September 30, 1987. These grants are to be made to national rural development and finance corporations for the purpose of establishing a rural development program to provide financial and technical assistance to low-income residents. In addition, Public Law 99-425, the Human Services Reauthorization Act of 1986, reauthorized the making of loans, out of repayments or other funds made available to the Rural Development Loan Fund, by FmHA.

JUSTIFICATION OF DECREASES

- (1) A decrease of \$4,000,000 for rural development loans (\$4,000,000 available in 1987).

Need for Change. This program is being terminated as part of the Administration's efforts to reduce the size and scope of Federal programs and their adverse impact on the management of future fiscal policy and deficit targets. The Administration believes that the most efficient way to manage local economic development is to rely upon the American private credit market, not federal loans and grants.

Nature of Change. No funds are proposed for this program in FY 1988.

- (2) A decrease of \$14,263,668 for rural development finance corporation grants (\$14,263,668 available in 1987).

Need for Change. This grant program was intended to complement the rural development finance corporation loan program administered through the Rural Development Insurance Fund. Its purpose was to assist in the establishment of state and local networks for providing financial and other assistance in economically distressed areas. With the establishment of state and local organizations, federal assistance will no longer be necessary.

Nature of Change. No funds are proposed for this program in FY 1988.

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Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Rural Development Loan Fund

Rural Development Loans

	<u>1986</u> <u>Amount</u>	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>
Total, Available or Estimate.....	<u> -- </u>	<u>4,000,000 1/</u>	<u> -- </u>

1/ Cannot be distributed by geographic area in advance.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Rural Development Loan Fund

Finance Corporation Grants

	<u>1986</u> <u>Amount</u>	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>
Total, Available or Estimate.....	<u>--</u>	<u>14,264,000</u> <u>1 /</u>	<u>--</u>

1 / Cannot be distributed by geographic area in advance.

FARMERS HOME ADMINISTRATION

The 1988 Budget Estimates include language for this item as follows (deleted matter enclosed in brackets):

Compensation for Construction Defects:

[For compensation for construction defects as authorized by section 509(c) of the Housing Act of 1949, as amended, \$713,000.]

This change eliminates the appropriation language for this program. No appropriation is requested in fiscal year 1988.

Compensation for Construction Defects

Appropriation Act, 1987.....	\$713,000
Budget Estimate, 1988.....	--
Decrease in Appropriation.....	<u>-713,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	: 1986 : Actual	: 1987 : Estimated	: Decrease	: 1988 : Estimated
Compensation for	:	:	:	:
construction defects.....	\$268,877	\$213,000	-\$213,000	--
Unobligated balance lapsing..	444,123	--	--	--
Proposed rescission.....	--	500,000a/	-500,000	--
Total appropriation.....	713,000	713,000	-713,000(1)	--

Staff-years are reflected in the Salaries and Expenses Project Statement.

a/ A request has been submitted to the Congress to rescind \$500,000, R87-11.

EXPLANATION OF PROGRAM

This program is authorized under section 509(c) of the Housing Act of 1949, as amended. The Secretary of Agriculture is authorized to make expenditures to correct structural defects, or to pay claims of owners arising from such defects on newly constructed dwellings purchased with FmHA financial assistance. Claims will not be paid until provisions under the builder's warranty have been fully pursued. Requests for compensation for construction defects must be made within eighteen months after the date financial assistance was granted.

JUSTIFICATION OF DECREASE

- (1) A decrease of \$713,000 for compensation for construction defects program (\$713,000 available in FY 1987).

Need for Change. This program is proposed for termination. The cost of this program is properly borne by builders under a builder's warranty, by posting bond, or any other guarantee or insurance.

Nature of Change. No appropriation is requested for FY 1988.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Compensation for Construction Defects

	<u>1986</u> <u>Amount</u>	<u>1987</u> <u>Amount</u>	<u>1988</u> <u>Amount</u>
Alabama.....	12,827	13,000	--
Alaska.....	---	13,000	--
Arizona.....	---	13,000	--
Arkansas.....	16,667	17,000	--
California.....	---	13,000	--
Colorado.....	---	15,000	--
Connecticut.....	5,840	16,000	--
Delaware.....	---	10,000	--
Florida.....	100	8,180	--
Georgia.....	3,900	5,450	--
Hawaii.....	---	12,000	--
Idaho.....	---	15,000	--
Illinois.....	11,093	12,000	--
Indiana.....	8,956	19,000	--
Iowa.....	---	11,500	--
Kansas.....	---	10,000	--
Kentucky.....	970	11,000	--
Louisiana.....	7,125	17,100	--
Maine.....	3,945	3,900	--
Maryland.....	---	5,000	--
Massachusetts.....	---	5,000	--
Michigan.....	3,231	13,200	--
Minnesota.....	7,520	17,500	--
Mississippi.....	18,108	26,200	--
Missouri.....	24,131	24,600	--
Montana.....	---	10,000	--
Nebraska.....	---	10,000	--
Nevada.....	---	10,000	--
New Hampshire.....	9,430	19,500	--
New Jersey.....	---	15,000	--
New Mexico.....	4,001	14,000	--
New York.....	18,004	21,000	--
North Carolina.....	5,410	15,500	--
North Dakota.....	1,090	15,370	--
Ohio.....	2,985	3,000	--
Oklahoma.....	380	5,500	--
Oregon.....	1,870	2,000	--
Pennsylvania.....	16,340	21,000	--
Rhode Island.....	4,000	14,000	--
South Carolina.....	---	10,000	--
South Dakota.....	2,480	2,500	--
Tennessee.....	---	44,500	--
Texas.....	34,130	35,000	--
Utah.....	500	11,500	--
Vermont.....	200	7,000	--
Virginia.....	16,619	23,000	--
Washington.....	5,946	16,000	--
West Virginia.....	1,890	12,000	--
Wisconsin.....	7,350	22,000	--
Wyoming.....	---	5,000	--
Puerto Rico.....	---	5,000	--
Trust Territories.....	---	5,000	--
Virgin Islands.....	11,839	12,000	--
Total, Available or Estimate.....	<u>268,877</u>	<u>713,000</u>	<u>--</u>

FARMERS HOME ADMINISTRATION

The 1988 Budget Estimates include language for this item as follows (deleted matter enclosed in brackets):

Self-Help Housing Land Development Fund:

[For direct loans pursuant to section 523(b)(1)(B) of the Housing Act of 1949, as amended (42 U.S.C. 1490c), \$500,000 shall be available from funds in the Self-Help Housing Land Development Fund.]

This change eliminates the authority to make direct loans for this program. No authority is requested for fiscal year 1988.

Self-Help Housing Land Development FundOn Basis Of Loan Levels

Program Loan Level, 1987.....	\$500,000
Program Loan Level, 1988.....	--
Decrease in Loan Level.....	<u>-500,000</u>

PROJECT STATEMENT

(On basis of program level and on basis of obligations under available funds)

Project	: 1986 : Actual	: 1987 : Estimated	: Increase or : Decrease	: 1988 : Estimated
Mutual and self-help	:	:	:	:
housing site loans....	\$ 620,000	\$ 500,000	-\$500,000(1)	--
Unobligated balance	:	:	:	:
brought forward.....	-2,444,784	-2,961,186	+369,000	-\$2,592,186
Receipts.....	-136,402	-131,000	-290,000	-421,000
Unobligated balance	:	:	:	:
carried forward.....	2,961,186	2,592,186	+421,000	3,013,186
Total appropriation....	1,000,000	--	--	--

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This revolving fund is authorized under Section 523 (b)(1)(B) of the Housing Act of 1949, as amended. The fund is used for making loans to public or private nonprofit organizations for the acquisition and development of land as building sites to be subdivided and sold to eligible families, nonprofit organizations, and cooperatives.

Justification of Decrease

- (1) A decrease of \$500,000 for mutual and self-help housing site loan program (\$500,000 available in FY 1987).

Need for change. This program is proposed for termination. Families eligible to be assisted under this program may request assistance under the housing voucher program which provides housing assistance more efficiently and offers a greater choice of housing opportunities to the program recipients.

Nature of Change. No program is requested for FY 1988.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

Self-Help Housing Land Development Fund

	<u>1986 Amount</u>	<u>1987 Estimate</u>	<u>1988 Amount</u>
California.....	620,000	400,000	--
Florida.....	<u>--</u>	<u>100,000</u>	<u>--</u>
Total, Available or Estimate.....	<u>620,000</u>	<u>500,000</u>	<u>--</u>

Miscellaneous Expiring Appropriations

EXPLANATION OF PROGRAM

This account consolidates the carry-over obligated balances of Rural Housing Supervisory Assistance Grants and Rural Development Grants. No funding has been provided in recent years and no new obligations have been made.

Rural Housing Supervisory Assistance Grants - This program is authorized under section 525 of the Housing Act of 1949, as amended. Grants were made to community-based nonprofit organizations for the purpose of conducting programs of technical and supervisory assistance.

Rural Development Grants - This assistance is authorized by Section 310B(c) of the Consolidated Farm and Rural Development Act, as amended. These grants were made to public bodies to facilitate business enterprises.

No funds were appropriated for these programs for fiscal years 1986 and 1987, and no funds are requested for fiscal year 1988.

PASSENGER MOTOR VEHICLES

The 1988 Budget Estimates propose the replacement of two passenger motor vehicles.

The passenger motor vehicles of the Farmers Home Administration are used primarily by the County Supervisors in the Pacific Trust Territories, Guam, and American Samoa for the performance of their daily work. None of the vehicles are used in the 50 United States or Washington, D.C. The vehicles are used in areas where privately-owned vehicles and common carrier facilities are either non-existent, uneconomical, or inadequate due to the nature of the travel which requires a high degree of mobility with frequent stops at rural housing sites and farm properties. FmHA personnel are required to inspect and appraise homes and farms on which loan applications are pending. They also must visit various properties frequently to perform loan servicing activities.

Passenger motor vehicles are not assigned to one individual exclusively at locations where more than one employee has a need for them. This allows several employees to use a single vehicle and minimizes the number of vehicles and maintenance costs.

Replacement of passenger motor vehicles. Replacement of two passenger motor vehicles now in operation is proposed. These vehicles are located in the Pacific Trust Territories and must be replaced because of excessive rust and corrosion. The high salt spray content and high humidity of the air in this region are very conducive to corrosion and shorten the serviceability period of motor vehicles.

Age and mileage data for Farmers Home Administration passenger motor vehicles on hand as of September 30, 1986, are as follows:

Age-Year Model	Age Data		Lifetime Mileage (thousands)	Mileage Data	
	Number of Vehicles	Percent of Total		Number of Vehicles	Percent of Total
1977	2	18	40-50	2	18
1983	2	18	30-40	3	27
1984	4	36	20-30	1	10
1985	2	18	Under 20	5	45
1986	<u>1</u>	<u>10</u>			
Total	11	100	Total	11	100

OFFICE OF RURAL DEVELOPMENT POLICY

NOTE - There was no appropriation provided for this account in FY 1987 and no funds are requested in FY 1988.

OFFICE OF RURAL DEVELOPMENT POLICY

Available Funds and Staff-Years1986 Actual and Estimated 1987 and 1988

Item	1986		1987		1988		
	Actual		Estimated		Estimated		
	:	:	:	:	:	:	:
	:	: Staff-	:	: Staff-	:	: Staff-	:
	: Amount	: Years	: Amount	: Years	: Amount	: Years	:
Office of Rural Development Policy...	\$401,307	5	--	--	--	--	

	<u>1986</u> <u>Actual</u>	<u>1987</u> <u>Estimated</u>	<u>1988</u> <u>Estimated</u>
Full-time Equivalent Staff-Years:			
Ceiling.....	5	--	--
Non-ceiling.....	--	--	--
Total.....	5	--	--

OFFICE OF RURAL DEVELOPMENT POLICY

CLASSIFICATION BY OBJECTS1986 Actual and Estimated 1987 and 1988

	<u>1986</u>	<u>1987</u>	<u>1988</u>
Personnel Compensation:			
Headquarters.....	<u>\$200,975</u>	--	--
11 Total personnel compensation.....	200,975	--	--
12 Personnel benefits.....	20,231	--	--
13 Benefits for former personnel.....	<u>97,024</u>	--	--
Total personnel compensation and benefits.....	318,230	--	--
Other Objects:			
21 Travel.....	1,334	--	--
22 Transportation of things.	83	--	--
23.3 Communications, utilities and misc. charges.....	24,787	--	--
24 Printing and reproduction.	1,968	--	--
25 Other services.....	214,063	--	--
26 Supplies and materials...	3,712	--	--
31 Equipment.....	100	--	--
43 Interest and dividend....	<u>4</u>	--	--
Total other objects.....	\$246,051	--	--
Total direct obligations.....	\$564,281	--	--

OFFICE OF RURAL DEVELOPMENT POLICY

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff- Years	Amount	Staff- Years	Amount	Staff- Years
Office of Rural Development Policy.....	\$564,281	5	--	--	--	--
Total obligations.....	\$564,281	5	--	--	--	--
Unobligated balance available, start of year.....	-209,000	--	--	--	--	--
Unobligated balance available, end of year.....	--	--	--	--	--	--
Transfer from Office of the Secretary...	-136,000	--	--	--	--	--
Unobligated balance lapsing.....	46,026	--	-	--	--	--
Total appropriation.....	\$265,000	--	--	--	--	--

EXPLANATION OF PROGRAM

The Office of Rural Development Policy provided staff support to the Under Secretary for Small Community and Rural Development to carry out the Secretary's development responsibilities, as authorized by Section 603 of the Rural Development Act of 1972, as amended, and Section 2 of the Rural Development Policy Act of 1980. No funds were provided for this program in FY 1987 and no funds are requested in FY 1988.

